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Organizing Corporate Marketing

by David S. Hopkins and
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A Research Report from The Conference Board

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Highlights

Even in the functionally organized manufacturing company, "marketing" is a mixture of specialized business activities, rather than a simple, clear-cut organizational entity. Within the possible range of marketing's subfunctions are such diverse tasks as formulating marketing plans and strategy, personal selling, managing field operations, overseeing distribution channels and reseller relations, product management, new-product development, marketing research, sales analysis, advertising, sales promotion, packaging, and many others.

In the multibusiness firm, marketing-related activities frequently exist at more than one level of the organization. By definition, at least some of these will be decentralized at the lowest operating level—that is, lodged within the company's operating divisions, strategic business units, or subsidiaries. Some may also be found at the top at corporate headquarters. Others occasionally are situated at an intervening "group" level.

Marketing's Corporate Role

A Conference Board survey of 294 large, multi-business manufacturers confirms that, if marketing-related functions exist at all at the highest organizational level in the company, their role generally encompasses one or more of the following:

(1) Actually performing a centralized service for the company and/or its operating units;
(2) Controlling or monitoring the performance of activities actually carried out within the company's operating units;
(3) Providing an advisory or consulting service to corporate-level management;
(4) Providing an advisory or consulting service to the company's operating units.

Elements of such centralized activities sometimes report to members of general management or to the heads of nonmarketing functions. But a relatively substantial collection of marketing-related subfunctions at headquarters is more apt to be headed by someone who is generally regarded as the company's "chief marketing executive." This individual, who frequently bears the title of vice president or director of marketing, most often reports to the company's president or chairman.

Likelihood of Having a Marketing Head

Ultimately, a corporate-level marketing department under the direction of a chief marketing executive exists at the option of the manufacturing company's senior general management. In practice, a number of factors strongly influence that choice. Some of the most important factors stem from characteristics of the company or from its market environment.

Among the characteristics identified as being importantly associated with the presence or absence of a chief marketing executive at headquarters are the following:

- Whether the company's businesses are so unrelated as to make the firm a "conglomerate." *If so, this greatly decreases any likelihood of its having anyone at the headquarters level who is considered to be the chief marketing executive.*
- Whether the company's various businesses are closely related in important marketing ways (such as through shared or similar markets, user groups, marketing or sales know-how, trade or distribution channels). *If so, this increases the likelihood of its having a chief marketing executive.*
- Whether the company has in the past acquired one or more businesses that were then left relatively intact as separate operating entities. *If so, this decreases the likelihood of its having a chief marketing executive.*
- Whether the company is a very large one, as measured by its annual sales volume. *If so, this also decreases the likelihood of its having a chief marketing executive.*

These four characteristics alone define sixteen different kinds of companies, with each of the sixteen having its own predicted likelihood of having a corporate marketing chief. (According to generalizations developed in the course of this study, if one knows nothing more than these four

The Conference Board Report No. 845 on *Corporate Marketing Organization*, summarized in these preliminary "Highlights," reflects the practices and experiences of 294 cooperating companies, all of them manufacturers with multiple businesses and, potentially at least, multiple options for organizing their marketing activities. (A description of the research methodology appears on page 2, and details of the sample on pages 2-4.) Additional copies of this report are obtainable from The Conference Board, Inc., 845 Third Avenue, New York, N.Y. 10022.

characteristics of a company, it is possible to deduce correctly two-thirds of the time whether or not the company has a chief marketing executive at the corporate level.) For example, that predicted likelihood is greatest—nearly 58 percent—for nonconglomerate companies with operating units that have a high degree of marketing relatedness, corporate sales of less than $500 million, and no acquired operating units left fairly autonomous and intact. The predicted percentage is lowest—10 percent—for conglomerate companies without these same characteristics.

In addition to the four specific factors just cited, there are still others that are also significantly associated with the presence or absence of a top-level chief marketing executive. For example, if marketing is a major driving force for the company's success—as opposed, say, to its technological strengths, scale of operations, access to natural resources, or capabilities for profitable management of diverse businesses—then it is more likely to have a chief marketing executive.

It cannot be safely inferred from this, however, that marketing is *not* the driving force of every manufacturer lacking a top-level marketing chief and staff. The major operating entities of certain of the country's largest and most successful marketers of such consumer items as food, health and personal-care products are themselves virtually self-contained marketing companies, with little need for outside "parental" direction, staff or service support—except perhaps from a centralized advertising department. Indeed, there are instances where an executive stationed as marketing head of a dominant operating-level unit is nonetheless regarded by the corporation's CEO as a member of its "top management."

The prevalence of a senior marketing position at corporate headquarters also differs significantly in some cases among different categories of manufacturers with dissimilar products and markets. Overall, a manufacturer selling principally to industrial, institutional or commercial markets is about as likely to have a corporate marketing head as a manufacturer selling principally to consumer markets. But the position is found with above-average frequency among producers of durable goods for consumer use, and also of general-purpose equipment destined for industrial markets. In contrast, the position is rare among oil companies. And, understandably, it is rarest of all among highly diversified companies classified as conglomerates.

Beyond such factors as these, there remains the possibility that, more than anything else, managerial preference or style at the top may alone determine organizational configurations in an individual company. Thus, even in a company that might otherwise be expected to have a corporate marketing head and a substantial concentration of centralized staff support, management may be strongly moved toward contrary practices by virtue of its faith in the merits of decentralization.

In light of the primary influences on usual preference and practice, it is not surprising that, among large multibusiness manufacturers in general, the percentage now positioning a chief marketing executive at headquarters to oversee substantive marketing operations at that level is much smaller than was the case only a decade or so ago. Those with such corporate marketing heads dropped in that time from more than 50 percent to about 30 percent. Significantly, this decline took place over a span of years characterized by widespread patterns of diversification, merger and acquisition activity, and rapid sales growth.

Ironically, another contributing factor in some cases was the very success of senior practitioners appointed to newly created marketing posts during the 1960's by chief executives then seeking help in converting their companies from a production or sales orientation to a market orientation. A common first step for the new appointee was to develop an aggregation of centralized marketing staff resources for the company and then to establish marketing policy and planning guidelines that could be followed within each of the outlying operating units.

As such decentralized units began to accumulate marketing support skills and capabilities of their own, the responsibility of the corporate-level marketing heads in at least some firms became primarily one of overseeing whatever centralized marketing services justifiably remained at that level. Where decentralization advanced still further and companies' operating units became even more self-sustaining, the chief marketing executives in some cases were simply not replaced when their posts became vacant. It is important to recognize, incidentally, that any decentralization of marketing does not automatically imply its de-emphasis within a company, since marketing support at the group or divisional level is frequently strengthened substantially in the aftermath.

Headquarters Functions

Further, the absence of a corporate marketing head does not necessarily (or even usually) mean a total lack of any kind of marketing-related function at the headquarters level; and specific activities once carried out as part of a centralized marketing department are not necessarily decentralized to lower operating levels in those cases where the chief marketing position has been abolished.

Thus, most large manufacturers, whatever their situation otherwise, retain at least some top-level marketing functions. It is common practice, for example, to provide centralized responsibility for a company's corporate and institutional advertising, as well as for relations with its advertising agency. However, responsibility for other major promotional activities—such as product advertising, sales promotion, product publicity, merchandising, and even media selection or purchase—is more frequently delegated to a company's operating units.

About half the companies surveyed maintain some sort of capability at headquarters for conducting certain kinds of research investigations into their markets, their competition, and, especially, the economic environment. But in most cases, there exists additional, decentralized research support for a company's individual divisions or groups, by means of which marketing research, competitive analysis, sales analysis, and sales forecasting also are carried out for clients in those units.

Similarly, half the companies provide for the centralized coordination at headquarters of selected new-product projects unrelated to existing product lines; yet most product-related activities, including the preparation of marketing plans, pricing, and the development of both product-line extensions and major new items related to existing lines, usually take place at the operating level.

Represented least often of all at company headquarters are such selling- and service-related functions as those dealing with direct solicitation of prospects and customers, export sales, distributor relations, sales training, and customer or product service. About one manufacturer in three does maintain some centralized activities devoted to physical distribution or traffic.

When there is no corporate marketing department head, those marketing-related activities remaining at that level may instead report to general management or else be placed under the wing of some other corporate function, as noted earlier. Even in the presence of a top-level marketing executive, corporate advertising may be part of a separate functional department with broad charter responsibility for all of the company's external communications and public relations.

Emergence of the Corporate Planner

Marketing—both as a profession and a major integrated function—gained its greatest momentum in the 1960's. Among large multibusiness manufacturers, a decline in the number of corporate-level marketing departments coincided during the 1970's with a notable phenomenon: the substantial increase in the corporate-planning functions established by these same companies. By now, nearly five out of ten companies participating in the present study have someone at headquarters who is regarded as "the chief planning executive," but have no marketing counterpart at that level. Another two in ten have both. (About one in ten has a corporate marketing head but no top planner; and the rest have neither.)

One consequence of these developments is that corporate planners in some firms reportedly have taken over, often virtually by defaut, certain specialized roles previously performed under the jurisdiction of marketing. Following the total abandonment of a chief marketing post, for example, it has not been uncommon for a company's centralized marketing research unit to be transformed into the research arm of the corporate-planning department, although such a unit may continue to perform a number of duties that are clearly *marketing* staff support in character.

Also, in the absence of a full-fledged marketing voice in the company's highest echelons, senior management has sometimes turned to the corporate-planning function as a handy possible source of at least some measure of market insight and guidance.

What of the Future?

Future approaches of multibusiness manufacturers to fundamental questions of marketing organization will perhaps depend less on prevailing trends or fads then in vogue than on the specific nature and direction of changes taking place within each company. Accordingly, it is reasonable to assume that, as in the recent past, senior management will continue to find less need for centralized marketing activities in those cases where it has elected to move the firm beyond its familiar marketing boundaries; to acquire new businesses and to grant them considerable autonomy; to rely mainly on forces other than marketing for remaining competitive; to conform as strictly as possible to a doctrine of decentralization; to support staff reduction in massive cost-cutting campaigns; or, in overseeing the company's diverse elements, to place primary reliance on assets management and the tools of financial control.

On the other hand, the merits and possibilities for establishing, restoring or reinforcing a centralized marketing presence are likely to be more tempting to senior management in those cases where corporate strategy is moving in opposite directions. This approach can also be expected to have especially strong appeal where management feels a special need for generating (or regenerating) a marketing mind-set throughout the organization—when, for example, a company's principal problems, errors and opportunities appear increasingly to be marketing ones in character. Such appeal is already apparent in some firms, including high-technology companies now giving marketing above-average priority and attention after years of depending primarily on technological gains for market success. It is evident, too, in some cases where partial reliance on the corporate-planning function for market orientation and marketing direction has proved to be an unsatisfactory substitute for the contributions obtainable from a full-time marketing department.

Noteworthy in this latter regard, for example, are recent actions by such giants as General Electric and Beatrice, which illustrate a renewed, formal commitment at the highest level—both philosophical and organizational—to marketing. At a time when both companies were engaged in organizational adjustments and selective divestment, senior management in each case called for a return to basics and took steps to establish a strong corporate-level marketing department equipped to help in both the development and the pursuit of sound market strategy.

Why This Report

As in any company, top corporate management in the multibusiness firm is deeply concerned with—and ultimately accountable for—its marketing success. As a practical matter, of course, numerous marketing responsibilities must necessarily be delegated, with many dispersed among the company's individual operating units. One issue to be decided, however, is the extent to which the company may still need to maintain selected marketing staff resources at corporate headquarters.

The question is especially critical when senior management has reason to be uneasy about the quality of the company's marketing strategies or its performance in the marketplace. In search of background clues to the subject, Associates of The Conference Board have recently been asking with growing frequency about the practices and preferences of other managements in this regard.

The present study, which reflects the experiences of nearly 300 multibusiness manufacturers, provides fresh guidance to possibilities for appropriate action. The findings throw important new light on the principal determinants and changing patterns of management choice in the internal structuring of a company's marketing-related functions.

The Conference Board is greatly indebted to all those cooperating in this research venture, the latest in the Board's continuing tracking of corporate marketing practice.

JAMES T. MILLS
President

Chapter 1
Introduction

MOST single-business manufacturing companies of more than modest size have a senior executive with a marketing or sales title who heads an integrated collection of marketing planning, product management, selling, promotional and related support activities. For such firms—organized functionally—the locational and structural choices of marketing organization are generally few and simply decided.

Organizational options and complications begin to multiply, however, when a company has grown to have two or more businesses, each being managed as a separate operating unit with capabilities for both production and selling. Among the many questions then calling for answers are these: To what extent should each operating unit be self-sustaining in a marketing sense? What marketing-related activities and personnel, if any, should be located at the corporate headquarters—as opposed to other decentralized operating levels?

Such questions—as posed here with regard to marketing alone—are, of course, part of a classic and pivotal issue for organization planners. In 1920, Alfred P. Sloan, Jr., prepared an "organization study" for the board of General Motors, in which he sought "a happy medium in industrial organization between the extremes of pure centralization and pure decentralization."[1]

Among the objectives laid down in Sloan's study were:

"1. To definitely determine the functioning of the various divisions constituting the Corporation's activities, not only in relation to one another, but in relation to the central organization.

"2. To determine the status of the central organization and to coordinate the operation of that central organization with the Corporation as a whole to the end that it will perform its necessary and logical place."

Later writers on organization have often described how the management of almost every multibusiness company has had to face up to these same points.[2] Repetitively, in one such company after another, the search continues for the best ways of reconciling the logic of divisionalization with the need for a due measure of centralized corporate guidance, support and control.

The main purpose of this report is to examine how manufacturing company managements have coped with a special segment of this problem, one which applies to marketing-related concerns, personnel and activities at a firm's corporate headquarters.

The Broader Context for Marketing Organization

Questions of marketing organization are embedded within much broader issues relating to a company's organization, considered as a total entity. Typically, the inner logic of corporate growth and structural change creates some tendency for a company to expand from just one business to several or many. Having multiple businesses under the same corporate tent often has two effects: (1) forcing greater complexity in management's control-and-response systems; and (2) introducing greater diversity among the individual business units—operating divisions, groups, subsidiaries, or strategic business units (SBU's)—and in the kinds of resources and skills required to manage them. In other words, at the same time that the process of management is becoming more complicated, a company's various business units may be moving toward separate organizational

[1] Alfred P. Sloan, Jr., *My Years with General Motors*. New York: Doubleday & Company, Inc., 1964, is the first identification of a company by name provides the opportunity to state that, throughout this report, any such mention should not be taken to imply that executives of the cited company took part in The Conference Board's research survey on which this report is primarily based.

[2] To cite only two of the best known: Alfred D. Chandler, Jr., *Strategy and Structure*. Cambridge, Mass.: The MIT Press, 1962. Richard P. Rumelt, *Strategy, Structure and Economic Performance*. Cambridge, Mass.: Harvard University Press, 1974.

Survey Method

In the first stage of this research project, a mail inquiry was directed to a selected senior executive in each of approximately 800 large manufacturing companies believed to have at least two or more business units. A follow-up reminder went later to those not responding.

When some of the executives initially approached replied that theirs were essentially single-business companies, without multiple operating units, they were dropped from the target sample. Of the remaining executives, 294 ultimately provided full-fledged responses that were usable for survey purposes. Supplementary information about their companies' practices and experiences was also obtained from a number of these and other executives by means of personal or telephone interviews.

Most of the individuals participating in the study were executives of relatively high rank at corporate headquarters in their firms, with titles typically indicating their responsibility for such functions as marketing, marketing research, business development, or corporate planning. Some others were members of corporate general management (up to the rank of chief executive officer, in a few cases). Still others were positioned within a major operating group or division of their companies, either as its head or, somewhat more often, as a senior marketing executive at that level.

identities—in the sense that they are becoming less related with respect to such important functions as production or marketing.

These generalizations, to be sure, admit exceptions. Single-business companies, though by now relatively scarce among the country's largest manufacturing companies, are not extinct even in that assembly. Also, there are many multibusiness manufacturers that have grown mostly by incremental extension, and whose primary business units continue to have intimate "relatedness" or similarities in important respects, one to the other. Moreover, increased diversification—a lessening of operating-unit relatedness—has still shifted only a small minority of firms into the world of the conglomerates.

A Continuum of Relatedness

The notion that companies can be usefully arrayed along a continuum of relatedness has been proposed by a number of students of business organization.[3] In the present research investigation, companies at one end of such a continuum—that is, single-business companies—were excluded from consideration altogether, in view of the comparative simplicity of their organizational arrangements. Adjacent to the single-business companies stand others, included in the study, whose business units are for the most part closely related—whether on the basis of such marketing factors as the similarity of their markets, user groups, distribution or trade channels, or their required marketing or selling skills and resources, or else on the basis of such nonmarketing factors as their similarity in production or technological capabilities and know-how. Next in line come those companies whose various operating elements have no more than a slight degree of any such relatedness. At the extreme end of the continuum are the conglomerates whose component businesses are totally unrelated (or nearly so). For purposes of this study, companies considered to be conglomerates were those for whom most component business units were consistently reported to be virtually unrelated on any common, obvious basis. (Described in greater detail in Appendix A and elsewhere in this report are: (1) methods used to explore these "relatedness" issues and (2) indications of the degree of such relatedness among businesses of the companies surveyed.)

Some Hypotheses

A central premise of research underlying this report was that important locational and structural differences in marketing organization and staffing would emerge when multibusiness manufacturing companies were arrayed along the kind of continuum just described. It was hypothesized, in particular, that:

- The more closely a company's businesses are related, the more likely it will be to have substantial marketing activities at the corporate level.
- The less closely a company's businesses are related, the less likely it will be to have substantial marketing activities at the corporate level.
- These tendencies will be significantly reinforced, in either direction, when the nature of the relatedness is oriented specifically to marketing factors.

Yet another hypothesis in this investigation—one involving another another kind of continuum—was that, all else being equal, substantial concentrations of marketing personnel and activities would probably be found less often at the headquarters level in larger multibusiness firms than in smaller ones.

Finally, there was reason to suppose that such concentrations would be more prevalent among companies whose corporate success depends heavily on marketing than among companies where this is not the case.

Characteristics of Sample Companies

Among the 294 manufacturing companies studied:

- 67 percent have the equivalent of "operating groups" (consisting of multiple lower-level operating units), with a median number of four.

[3] See, for example, Harold Stieglitz, "On Concepts of Corporate Structure: Economic Determinants of Organization." *The Conference Board Record*, February, 1974. Also, Harold Stieglitz and Allen R. Janger, *Top Management Organization in Divisionalized Companies*. Studies in Personnel Policy No. 195, The National Industrial Conference Board, 1965.

Defining Levels of Organization

In this report, mention of a company's "corporate level" refers to the topmost headquarters management level of the parent company—that is, of the legal and financial entity in whose name annual reports are issued and shares are owned and traded. This definition applies with no difficulty for the large majority of multibusiness manufacturing companies.

Questions can arise, however, when a large corporation acquires another large company that is itself a multibusiness organization, and then manages this new acquisition as a subsidiary. For instance, the Carborundum Company was acquired by the Kennecott Corporation, which was then taken over by the Standard Oil Company of Ohio. The "corporate level" may be said now to exist at the highest echelons of the parent company, Standard Oil, whether or not Kennecott—or even Carborundum, one further step away—continues to retain considerable independence in much of its day-to-day operations or acts in certain respects as a corporation within a corporation.

Another definitional question arises when a firm divides its operations into two parts, one domestic and the other international, or, in a somewhat more complicated example, when H.J. Heinz Company comprises "Heinz U.S.A. Division," plus a number of domestic and international subsidiaries. Although the principal U.S. component in such a case may look like a separate, self-contained corporation, it is unlikely to be truly so in all respects.

For purposes of this study, the "corporate level" in each of these two kinds of circumstances has normally been ascribed to the topmost parent-company headquarters. Thus, the incidence of corporate marketing activities in the companies studied falls slightly below what might have been recorded with use of a looser definition of "the corporate level." Exceptions were made for a very few U.S.-based multibusiness manufacturers that are actually large subsidiaries of foreign-based parent companies; they were treated in this survey as though the corporate level in each case were that located within the U.S. arm.

The "group level," nomenclature that carries some ambiguity, refers in the present research to an intermediate organizational level existing in some companies between the corporate headquarters and the divisional operating units. By this definition, a group is headed by a senior executive to whom the managers of two or more operating subunits or divisions report directly.

It is the practice in a few companies to employ the word "group" instead in describing a single organizational unit engaged in the production and sale of a number of related product lines—that is, a unit that in other firms would more commonly be termed an operating division. In those cases where it could be determined that a company in the survey sample was following this practice, its so-called groups were treated for analytical purposes as lower-level operating divisions.

Occasionally, a company will have an additional organization layer, called "sectors," each of which is a kind of "supergroup." At General Electric, for example, large group operations are themselves combined into one of several such sectors existing below the corporate level. This situation was judged sufficiently rare as to make unnecessary any special treatment of it in this survey.

At the lowest organizational stratum, the "operating unit level" is defined herein as referring to all those units—whether operating divisions, subsidiaries, affiliates, or other decentralized profit centers—that engage in both producing and selling (primarily within the United States). This definition catches a wide array of the most common business units of all, with no attempt being made to differentiate between, say, a division or a subsidiary in the course of any analyses.

- 85 percent have the equivalent of "operating divisions," with a median number of eight.
- 45 percent have the equivalent of "operating subsidiaries," with a median number of five.[4]
- 34 percent have the equivalent of "strategic business units" or SBU's, with a median number of 25. (Some of the companies, it was discovered, have only subsidiaries or SBU's in place of divisions.)

The participating manufacturers are further described by their annual sales in Table 1; by their rank on the *Fortune* list of the 1,000 largest industrial corporations (for those so qualifying) in Table 2; and by their primary product-market categories in Table 3. Data for each of these tables, unlike those for others throughout the report, were drawn from secondary sources, including companies' annual reports. (For purposes of Table 3 and later reference, each company was assigned to the single product-industry group judged to account for the largest portion of its sales; and it should be noted that this led, unavoidably, to somewhat arbitrary judgments in certain cases.)

As is evident from the first two tables, the survey sample is tilted toward firms of relatively large size. Nearly five in ten have annual sales in excess of $1.0 billion. Most are found on *Fortune's* list of the top 1,000 industrial firms, and over seven in ten of these rank among the top 500. This tilt follows naturally from the fact that the incidence of multibusiness manufacturers is strongly correlated with company size. It also increases the confidence that the practices and experiences described are reasonably accurate reflections of those of the country's principal multibusiness manufacturing concerns.

[4]Excluding nonactive subsidiaries or what are merely "paper" units.

Table 1: Company Characteristics of Sample by Annual Sales Volume

Annual Company Sales Volume	*Companies in Sample*	
	Number	*Percent*
$3.0 billion and over	63	21%
$1.0 to $2.9 billion	73	25
$500 to $999 million	54	18
$200 to $499 million	64	22
Under $200 million	40	14
Total companies	294	100%

Table 2: Company Characteristics of Sample by Rank on *Fortune* 1,000 List

Rank	*Companies in Sample*[1]	
	Number	*Percent*
1 to 250	105	44%
251 to 500	70	29
501 to 750	43	18
751 to 1,000	21	9
Total companies on list[1]	239	100%

[1]Of the balance of 55 manufacturing companies in the sample of 294 surveyed, 40 have sales volumes too small to merit their inclusion on the *Fortune* list of the largest publicly held industrial corporations and 15 are either large privately held companies or large subsidiaries of foreign firms.

Table 3: Company Characteristics of Sample by Principal Product-Market Categories

Principal Product-Market	*Companies in Sample*	
	Number	*Percent*
Products destined principally for consumer markets	**76**	**26%**
Consumer durable products	21	7%
Packaged foods and beverages	19	6
Drugs and toiletries	17	6
Other nondurable consumer products	19	7
Products destined principally for industrial, commercial or institutional markets	**194**	**66%**
General-purpose equipment	39	13%
Special-purpose equipment	37	13
Components and accessory items	35	12
Metals and chemicals	37	12
Petroleum products	8	3
Other industrial products	38	13
Highly diversified or "conglomerate" companies:	**24**	**8%**
Total, all companies	**294**	**100%**

Viewpoints on Organization Design and Terminology

"Organization design begins with the market. Businesses are structured to carry out strategies in the markets they serve. It follows that as market conditions evolve, as strategies are reshaped, and as customer groups change in character, organization structure must change accordingly.

"Since World War II rapid organizational change has characterized large and growing companies more than ever before. Growth *per se* is one reason. The organizational framework for handling a $50 million business will be obsolete long before the business reaches the $500 million point. Another is the fast changing character of served markets. A third is the rapid technological development of new products. Still another is the wide ranging diversification of companies into new products and new markets, and a spreading out of operations to embrace national and world markets. The framework for a business with a single product line, a single customer group, a single geographic market is quickly outgrown when the business broadens its product and market scope. Finally, one must note the profound effects on corporate organization of intense competition, a factor forcing structural change in order to survive and grow....

"The intricacies of modern corporate organization are such that the traditional "line" and "staff" dichotomy is of little value in understanding organizational design. The terms are used more to infer degrees of authority than to describe roles and functions. The line, by implication, commands and directs; the staff provides supporting services to the line. Line and staff are used, not infrequently, to imply status in a managerial hierarchy, with line managers perceived as having higher status than their staff counterparts. Dealing as it does, then, with status and authority inferences, the line-staff classification misses the great subtleties of formal organization structure."

Source: Excerpted from E. Raymond Corey and Steven H. Star, *Organizational Strategy: A Marketing Approach*, Boston: Division of Research, Harvard Business School, 1971, pp. 1-2. Reprinted by permission.

Chapter 2
The Corporate Chief Marketing Executive

WHEN marketing is represented at all at the corporate level in a multibusiness manufacturing company, there may be one senior executive who—whatever the title attached to the holder's position—generally is regarded as being "the chief marketing executive." Among other responsibilities, this individual customarily directs a supporting staff for the conduct of all or most of the marketing-related activities at the corporate level, with the department's size being dependent on the executive's standing and, especially, on the range, mix and role of activities that the executive supervises.

In some ways, a chief marketing executive is a personalized symbol of a corporate marketing presence.[1] It is observable, in fact, that such a position has sometimes developed only after scattered marketing activities already accumulating at that level reached a certain critical mass in terms of importance and size. As this suggests, the lack of such an executive does not necessarily mean that functional elements of marketing are nonexistent at this level. In the absence of a chief marketing executive, a variety of activities—ranging perhaps from centralized marketing research work to the coordination of nontraditional new-product projects—may come under the wing of a corporate planner or of some other corporate executive.

This restrictive situation for corporate marketing is, in reality, the norm and not the exception. Seventy percent of the multibusiness manufacturing companies surveyed *do not* have a senior executive at the corporate level who is generally regarded as being the chief marketing executive. The other 30 percent of these companies *do* have a corporate chief marketing executive, as defined herein. This is, without question, a substantially lower proportion than in former times.

For clues to the proportion of the same companies that had a corporate-level marketing head in the early 1970's, one might reasonably add to the present 30 percent another 27 percent that, while they do not now have such a position, report that they did so about ten years previously. From this putative total of 57 percent, however, two deductions are necessary. One is to allow for some manufacturers that first introduced the position during this period; and a second is to exclude some others that dropped the equivalent position when making the transition from a single-business, functional firm to a multibusiness organization.

On balance, it seems reasonable to conclude that, in the early 1970's, the proportion of these large multibusiness manufacturing companies then having a corporate-level chief marketing executive was on the order of 50 percent, at a minimum. This finding is consistent with earlier Conference Board surveys, reported in 1965 and 1971, which found, respectively, that 52 percent and 53 percent of the divisionalized manufacturing companies then surveyed had corporate marketing heads.[2] In ways to be reviewed later, the decline of the chief marketing position has, within many affected companies, proved to be an event of profound importance for the marketing function as a whole, and for its organizational structuring in particular.

Titles and Reporting Relationships

"Vice president of marketing" remains the most common title for the chief marketer's position. In other cases, the title is more elevated—such as "executive vice president of marketing"; or else more junior—such as "director (or

[1] As noted in the boxed comments on page 6, there are circumstances where, in the absence of a corporate marketing head, the ranking marketing executive of a major operating unit is considered to be part of the company's "top management."

[2] Harold Stieglitz and Allen R. Janger, *Top Management Organization in Divisionalized Companies*. Studies in Personnel Policy No. 195, The National Industrial Conference Board, 1965. Most, though not all, of the sample of 76 companies were from the manufacturing sector. Also see, David S. Hopkins and Earl L. Bailey, *The Chief Marketing Executive: A Profile*. Report No. 511, The Conference Board, 1971. The sample included 75 divisionalized manufacturing companies.

manager) or marketing." The words "and sales" sometimes are added to such a "marketing" title.

But in several other companies the title of the chief marketing executive gives no hint at all of marketing responsibilities. It may be as nonspecific as "senior vice president," with no function designated. Occasionally, the individual's title refers specifically to such nonmarketing functions as corporate planning or corporate development, with the chief marketing executive being the wearer of two important hats. (For a sample of titles, see Table 4.)

Two out of three of the chief marketing executives in the firms studied report directly to the company's president or chairman. Most of the remainder report to an executive vice president or senior vice president in the company. (See Table 5.)

Table 4: Titles of Chief Marketing Executives at the Corporate Level[1]

Title	*Number of Reporting Companies*
Conventional marketing titles	
Vice president of marketing	27
Executive or senior vice president of marketing	8
Director or manager of marketing	7
Vice president or director of marketing services	3
Other marketing titles	2
Marketing and sales titles	
Vice president of marketing and sales	4
Executive or senior vice president of marketing and sales	2
Vice president of sales or general sales manager	2
Other "mixed" marketing titles	
Senior vice president or vice president or director of marketing and planning or corporate development	4
Other mixed titles	2
Other specific nonmarketing titles	
Executive or senior vice president, or vice president of corporate development	6
Senior vice president or vice president—commercial	3
Manager of corporate planning	1
Other titles	3
Nonspecific titles with function undesignated	
Executive or senior vice president or vice president	8
Chairman, vice chairman, president, CEO	5
Total, all reporting companies	88

[1]Based on information provided by 88 multibusiness manufacturers that have a corporate chief marketing executive. Similar titles, with or without addition of the word "corporate," have been combined.

Table 5: Executive Level to Which the Corporate Chief Marketing Executive Reports[1]

Title	*Number of Reporting Companies*
Board of directors	2
Chairman, president, CEO	60
Vice chairman	2
Corporate or executive office	2
Executive vice president	9
Senior vice president	5
Vice president	6
All other	2
Total	88

[1]Based on information provided by 88 multibusiness manufacturers that have a corporate chief marketing executive. Titles reported were sometimes specific as to function, such as executive vice president—operations or senior vice president—commercial development.

Chief Marketing Executives in "Top Management"

In another study by The Conference Board, which was conducted not long before the present one, the chief executives of major corporations were asked to describe the size and composition of their "top-management" groups.[1] For manufacturing companies, the median number reported for such a top-management group was eight executives. A "top marketing executive" was a member of this elect group in 29 percent of companies sampled from among the 500 largest manufacturers, and also in 46 percent of companies sampled from among the second largest 500 manufacturers.

Thirty manufacturing companies participating in the top management survey took part as well in the later survey on which the present study is based, thus allowing some direct comparisons. In 14 of these 30 companies, the chief marketing executive at the corporate level was included in the top-management group. In five other companies, the individual who held the corporate marketing post was *not* among the group of executives considered to be top management.

In the remaining 11 companies, interestingly enough, a top marketing executive was reported to be a member of the top-management group, although the present survey failed to disclose the existence of a chief marketing executive at the corporate level. The explanation in these cases turned out to be that the individual identified as both the top marketer and a member of top management actually holds a senior marketing position, not at headquarters level on the corporate organization chart, but rather within a dominant group or other key operating unit of the company. This situation exists, for instance, in two large oil companies, a specialized packaged-foods company, and a highly diversified corporation where a single operating unit represents the core business.

[1]Ruth G. Shaeffer and Allen R. Janger, *Who Is Top Management?* The Conference Board, Report No. 821, 1982.

Factors Influencing Corporate Presence

Why do three multibusiness manufacturers in ten have a chief marketing executive at the corporate level? And, on the other hand, why do seven in ten elect *not* to have such a marketing head?

Some answers are possible from a comparison of certain innate characteristics of companies that do have chief marketing executives positioned at headquarters with those of companies that do not. Other available answers, to be examined later on, reflect first-hand observations and explanations by survey participants regarding choices and actions of their own companies in this regard.

Tables 6 and 7 summarize selected characteristics of companies having a senior person at the corporate level who is generally regarded as "chief marketing executive." Each of these characteristics is especially relevant in explaining why a company may or may not have a corporate marketing head. (For purposes of analysis in this study, however, a company's sales volume was used as a measure of its size, not its ranking on the *Fortune* list.)

The following factors are determined to be significantly associated with the presence (or absence) of a corporate marketing head in a multibusiness manufacturing company:[3]

- *Is the company a conglomerate?* If its operating units are so diverse as to give it full-fledged conglomerate status, then it is very unlikely to have a corporate chief marketing executive.
- *Are most of the company's operating units closely related in a marketing sense?* If there is this kind of close relationship—such as through shared or similar markets or product-user groups, distribution or trade channels, selling resources or know-how, or other kinds of marketing resources or know-how—then, all else being equal, it is more likely than others to have a corporate chief marketing executive.[4]
- *Is the company very large in size?* If its annual sales volume is $500 million or more, then it is less likely than others to have a corporate chief marketing executive.[5]
- *Do the company's operating elements include one or more acquired units later left relatively intact as separate operating entities?* If so, then it is less likely than others to have a corporate chief marketing executive.

These four characteristics define sixteen different kinds of companies, with each having its own predicted likelihood of a chief marketing executive's being positioned at the corporate level. (See Appendix C.) Table 8 describes the model predictions for various combinations of company characteristics. For example, the predicted percentage of manufacturers having a chief marketing executive at headquarters is seen to be highest—nearly 58 percent—for nonconglomerate companies with no acquired units left intact, a high degree of marketing relatedness among most of their operating elements, and sales of less than $500 million. The figure is lowest—just over 10 percent—for conglomerate companies with one or more acquired units left intact, with most operating units not closely related in a marketing way, and with sales of $500 million or more.

Apart from the four cited company characteristics that define these particular groupings, other factors are also found to be significantly related to organizational practice.[6] Often, the primary products or markets of a company are one such factor. On the basis of the survey findings for the broad product-market categories shown in Table 9, for ex-

[3]Statistical analyses underlying these determinations are described in Appendix C, beginning on page 52.

[4]See Appendix A for further discussion of relatedness issues and measures. The potential for true relatedness between company units is not always a self-evident thing. For instance, a move by a manufacturer of packaged foods into the fast-foods restaurant business, or by a producer of ethical drugs into the over-the-counter market, might seem a natural shift into a neighboring consumer field. In the aftermath, however, there may be found to be little carryover or beneficial relatedness in such moves from a marketing standpoint in such moves.

[5]Yet another possible indication of a company's size—or perhaps more accurately, of its potential organizational complexity—is the number of its operating divisions. Of the firms with fewer than ten divisions, 35 percent had corporate marketing heads as against 25 percent of those with ten or more divisions.

[6]That is, other characteristics of a company that were also significantly related, by the statistical criteria chosen, to the presence of a corporate-level marketing head. For the specific purposes of the model described in Table 8, knowledge of these other variables offered no improvement in accounting for variations in practice beyond that contributed by the first four mentioned.

Table 6: Presence of a Corporate Chief Marketing Executive, by Company Size[1]

Company Size Characteristic	*Number of Reporting Companies*	*Percentage Having a Corporate Chief Marketing Executive*
Annual sales volume		
$3.0 billion and over	63	25%
$1.0 to $2.9 billion	73	23
$500 to $999 million	54	26
$200 to $499 million	64	38
Under $200 million	40	43
Rank among "*Fortune* 1,000" companies		
1 to 250	105	24%
251 to 500	70	27
501 to 750	43	33
751 to 1,000	21	38

[1]Out of 294 multibusiness manufacturers reporting, 55 were not on the *Fortune* 1,000 list. These include some privately held companies, a few large companies that are actually subsidiaries with foreign-firm parentage, and another 40 firms too small for inclusion on the *Fortune* list.

Table 7: Presence of a Corporate Chief Marketing Executive, by Relatedness of Company's Operating Units[1]

Nature and Degree of Relatedness among Company's Operating Units	*Number of Reporting Companies*	*Percentage Having a Corporate Chief Marketing Executive*
In general, most operating units are:		
Closely related in important ways	181	33%
Slightly related in important ways	88	30
Virtually unrelated in important ways[2]	25	12
Specifically, in terms of four possible marketing factors, most operating units are:[3]		
Closely related on the basis of all four factors	44	50%
Closely related on the basis of three or more factors	63	44
Closely related on the basis of two or more factors	110	40
Closely related on the basis of one or more factors	147	38
Not closely related on any of the four factors	142	22
Company's operating units include:		
One or more acquired units left relatively intact and separate	74	42%
No acquired units left relatively intact and separate	220	26

[1]Based on information provided by 294 multibusiness manufacturers. See Appendix A for additional information on "relatedness" issues and measures.
[2]Includes one company that, for most analytical purposes, was not treated as a "conglomerate."
[3]The four factors are similarity of: distribution or trade channels; markets or user groups; sales force (or selling) resources or know-how; or other marketing resources or know-how. (Such information was lacking in five cases.)

Table 8: Likelihood of Having a Corporate Chief Marketing Executive

Company Characteristics				
Is It a Conglomerate Company?	*Has It Acquired Operating Unit(s) Left Relatively Intact?*	*Are Its Annual Sales Less than $500 Million?*	*Are Its Operating Units Closely Related in Marketing Ways?*	*Percentage of Such Companies with a Chief Marketing Executive[1]*
No	No	Yes	Yes	57.7%
No	No	Yes	No	44.4
No	No	No	Yes	43.9
No	No	No	No	31.1
No	Yes	Yes	Yes	41.9
No	Yes	Yes	No	29.4
No	Yes	No	Yes	29.2
No	Yes	No	No	19.2
Yes	No	Yes	Yes	39.3[a]
Yes	No	Yes	No	27.2[a]
Yes	No	No	Yes	27.1[a]
Yes	No	No	No	17.6
Yes	Yes	Yes	Yes	25.5
Yes	Yes	Yes	No	16.5
Yes	Yes	No	Yes	16.4
Yes	Yes	No	No	10.2

[1]This column presents the results of log/linear analysis of contingency tables (see Appendix C, page 53). Shown in each case is the percentage of manufacturing companies with the combination of characteristics indicated (in the row) that is predicted by the model as having a chief marketing executive at the corporate level.

[a]The percentage extrapolations in these instances are for combinations of company characteristics not specifically represented in the sample of 294 firms surveyed. As an example, there were no conglomerate companies in the sample with this particular combination: (1) having no acquired units left relatively intact, (2) having annual sales of less than $500 million, and (3) having most operating units closely related in marketing ways.

Table 9: Presence of a Corporate Chief Marketing Executive, by Major Product-Market Categories

Primary Product Concentration	*Number of Reporting Companies*	*Percentage Having a Corporate Chief Marketing Executive*
Principally for consumer markets		
Consumer durable products	21	57%
Packaged foods and beverages	19	26
Other consumer nondurable products	36	25
Subtotal	76	34%
Principally for industrial, commercial or institutional markets		
General-purpose equipment	39	46%
Special-purpose equipment	37	27
Components and accessory items	35	34
Metals and chemicals	37	38
Petroleum products	8	—
Other industrial products	38	18
Subtotal	194	31%
Highly diversified (or "conglomerate") companies		
Subtotal	24	4%
Total, all companies	**294**	**30%**

ample, the chief marketing position is most common among producers of durable goods for consumer markets and of general-purpose equipment for industrial markets. On the other hand, none of the oil companies surveyed now has such a position.

It happens, too, that a company's likelihood of having a corporate marketing head is greater when marketing is a primary driving force for its success—as compared with such other possibilities as its technological strengths, production strengths, scale of operations, access to natural resources, or capability for profitable management of diverse businesses. (See Appendix B, page 50.) In general, the major strengths of multibusiness manufacturers surveyed derived more often from technology or production than from anything else. (See Appendix Table B-1.) A relative downgrading of marketing's importance in fostering corporate success was especially marked for firms whose component businesses are, for the most part, virtually unrelated. This may partly explain why such companies are less likely than others to have a headquarters-based marketing chief. At the same time, it should be noted that *a company's lack of a corporate marketing head is by no means concrete evidence that marketing is not a major determinant of its success.* For instance, the principal operating entities of some of the most successful and highly marketing-driven companies competing in certain consumer markets—such as food, health and personal-care products—are themselves virtually self-contained marketing companies, which often have little need for corporate-level staff direction or support (except, in some instances, from a central advertising department).

The possibility always remains that, beyond the potential influences so far enumerated, the decision to have or not to have a corporate chief marketing executive is, more than anything else, a reflection of the preference or style of senior management in a particular company. This probably helps to account for the rare case of a truly conglomerate firm whose organization chart sports a marketing chief's box among those at the corporate staff level—an exceptional illustration of one management going against a prevailing trend.

More common and more important is a stimulus in the opposite direction—toward the reduction or possible elimination of a strong marketing staff presence at headquarters. It originates in the conventional wisdom, widely accepted in recent years, that there is merit in decentralizing major staff functions, to the extent feasible, to the company's operating levels. (See Chapter 5.) It is not unreasonable to assume that, even among companies that might otherwise be expected to maintain a full complement of centralized marketing staff functions, some managements have moved against the probabilities, impelled by a strong adherence to the doctrine of decentralization.

On the other hand, clues to contrary preferences and perceived needs are evident in the rationale given for maintaining such a position by the participating companies that do so. (See examples, page 10, and also in Chapter 5.) In simplest terms, a common justification—apart from the

Primary Responsibilities of Corporate Marketing Heads in Selected Companies

"• Coordination and development of overall marketing strategies.
• Training and development of first-line marketing managers.
• Providing a corporate marketing service of information systems.
• Pricing and distribution policies and practices.
• Evaluating opportunities for new products and new businesses."

—Vice president of marketing, a specialty chemicals producer

• • •

"• To improve and develop the distribution system, both domestic and international.
• To direct the advertising program.
• To ensure a good product-support system.
• To provide good marketing information to the company.
• To suggest product improvements.
• To help develop long-range plans.
• To prepare short-range and long-range forecasts.
• To recommend product pricing."

—Senior vice president of marketing and sales, an aircraft manufacturer

• • •

"• Overall planning and establishment of strategic priorities within marketing.
• Integration of the marketing function.
• Creative stimulation of marketing innovation."

—Senior vice president of marketing, a consumer products manufacturer

• • •

"• Providing staff resources to operating divisions.
• Acting as an internal marketing consultant to divisions, including strategy, on a 'need' basis.
• Monitoring various aspects of the marketing function.
• Corporate advertising.
• Coordinating major multidivision activities, five-year planning, and so on."

—Vice president—marketing, a producer of communications equipment

• • •

"• Controlling and monitoring the performance of operating units.
• Providing advice and counsel to corporate management and to all units.
• Promoting synergy of operations to maximize market potential.
• Providing leadership, direction and coordination as required, for new markets and internal development."

—Corporate vice president—marketing, a large publishing company

"• Monitoring sales and advising operational divisions on factors to increase sales.
• Directing advertising, promotion and merchandising programs to stimulate sales.
• Supervising marketing research to determine shifts in demand and brand preference.
• Providing marketing input to products in development."

—Director of marketing, a vehicle manufacturer

• • •

"• Policy coordination and advice to management.
• Support to operating units, and oversight of their activities and plans.
• Operation of field offices and of the Washington office.
• Contacts at senior customer levels."

—Senior vice president—business development, an aerospace company

• • •

"• Maintain contact with key customers.
• Develop long-range marketing and sales plans with marketing managers and sales managers.
• Control marketing expenses."

—Vice president—marketing, an office equipment manufacturer

• • •

"• Planning for the long term.
• Forecasting for the short term.
• Work on new product and market opportunities.
• Management of the marketing and sales efforts of the divisions."

—Vice president—marketing, a manufacturer of electrical and electronic products

• • •

"• Conduct of all television advertising (since the individual divisions are not capable of doing so).
• Oversight of national accounts.
• Conduct of corporate advertising and sales promotion."

—Director of marketing services, a hardware manufacturer

• • •

"• Direct long-range planning.
• Advise the president and group officers on key operational marketing personnel.
• Manage all field sales.
• Institute new-product development in unrelated areas."

—Vice president—marketing, an industrial equipment producer

"• To see that we —
• Have an adequate and qualified sales force.
• Accurately estimate costs, and quote prices with risks anticipated.
• Protect the company through contractual conditions.
• Continue to watch for new product lines and market changes.
• Know and properly service our customers."

—Executive vice president and general sales manager, a metal products fabricator

need for providing direction of specific marketing functions—is that voiced by the spokesman for an electronics-products producer: "In a multidivision company, there must be some coordination and whistle-blowing." He goes on to point out some examples: "Rules must be set down on the use of the company name in advertising. Some control is required over sales compensation, awards and recognition. Money can be saved and positions within media improved by combined media buying. Joint use of trade-show exhibits is often more efficient. Exchanges of leads among sales forces only happens if it is made to happen." Many others put even greater stress on the importance of senior management's having direct and continuing access to marketing counsel.

The Chief Marketing Executive's Role

In practice, a corporate chief marketing executive is usually expected to play a variety of roles. The coloration of responsibilities attached to the position reflects in part the mix and missions of functions reporting to it. The presence of a topside marketing head frequently signals the existence of a greater concentration of marketing-related functions at company headquarters than is otherwise the case. (See Chapter 3.) Moreover, the position tends to be associated with patterns of working relations and responsibilities for several such centralized functions that are different from those prevailing in its absence. (See Tables 15 and 16.) There is, however, a reverse effect as well. Thus, if these functional activities consist mainly of central staff services, then the senior marketing post may accurately be described in terms of the title sometimes given it under those circumstances—director of marketing services.

Similarly, the directional focus of the top marketer's job—whether primarily upward or downward in the organization—is determined in large part by the focus of the staff functions at work under the marketing department's umbrella, as well as by the expectations of corporate management. In some firms, this focus is mainly upward, with primary emphasis on serving the overall needs of the corporation and those of its chief executive. In some others, it is mostly in the other direction, with primary emphasis on "coordination," "monitoring," "guidance," and dotted-line relationships extending downward into the company's operating units.

Whatever the focus, it is not inevitably a built-in feature of the top marketing job in a particular company, and it may shift in response to changing market situations.[7] The corporate marketing vice president of a transportation equipment company, for example, was forced to become more involved in group-level operations following the adoption of strategies calling for "world products." His primary mission since then has become, as he puts it, "to coordinate worldwide sales and marketing efforts, and to attempt to bring these various activities together where a common interest and goal may exist, resulting in an action plan that is optimum relative to corporate interests, goals and objectives."

As a practical matter, a corporate marketer's orientation and attention on the job are most likely to be routinely split, as in the reported case of the corporate director of marketing in an agricultural-supply company. He is expected, on the one hand, to advise corporate management on marketing issues while, on the other, to coordinate marketing activities throughout the company, and to develop marketing skills and more effective goal setting among its various marketing executives at the divisional level.

Illustrating such variations further are the capsule descriptions of the primary responsibilities of corporate marketing heads in other selected companies on the opposite page. A more detailed description of the responsibilities assigned to the corporate vice president—marketing of the Ford Motor Company appears in Exhibit 1.

Ford, a multinational corporation, has line marketing organizations operating geographically throughout the world. Its organizational components consist of some nine groups, fifteen operating divisions and four subsidiaries. At the corporate staff level, the vice president—marketing reports to a member of the Office of the Chief Executive, along with the executive vice presidents who head the company's primary operating sectors (North American automotive, international automotive and diversified products). Also reporting at this level are the heads of certain other staffs, including finance, corporate strategy and

[7]The emphasis and the overall clout of the marketing head may also reflect in part the personal qualities and predilections of the incumbent. The role of marketing director in a computer components firm reportedly became a much more active one when the "rather passive" individual who had previously held the position was replaced.

Exhibit 1: Statement of Functions, Corporate Vice President—Marketing, Ford Motor Company

RESPONSIBILITIES OF THE VICE PRESIDENT

The Vice President—Marketing is responsible for identifying, developing and recommending corporate marketing policies; conducting reviews and, as appropriate, developing alternative strategies for car, truck and tractor marketing and product proposals, worldwide; establishing and maintaining marketing guidelines, standards and procedures; the prior review of marketing and product proposals that require the review of one of the company advisory committees, or approval by the Office of the Chief Executive; the review of sales and marketing organization and manpower development plans, worldwide; directing staff assistance to the OCE, operations and other staff groups in the various marketing activities; and administering centrally assigned marketing research functions.

GENERAL FUNCTIONS

1. Direct the identification and development of corporate policies affecting the sale and marketing of Ford products, worldwide. Establish guidelines, standards and procedures for the implementation of policies. Maintain an ongoing review of policy statements and implementation guidelines to assure their continuing applicability and effectiveness. Counsel and, as required, provide direct assistance to the operating activities in the implementation of new policies and strategies.

2. Evaluate and recommend, as appropriate, alternative marketing and product strategies for those proposals requiring approval by the OCE; prepare special studies, as appropriate, to provide leadership and to assist company management in the decision-making process on marketing issues, worldwide. Assist Corporate Strategy and Analysis Staff with the integration of marketing strategy into corporate strategic plans.

3. Conduct periodic reviews of advertising, market representation, market research, parts and service, and sales programming functions in the operating components, worldwide, to assess adherence to corporate policy and conformance to strategic objectives. Identify substantial deviations and performance deficiencies and assist management with resolutions. Conduct prior reviews of all operating matters affecting marketing functions submitted to the OCE for approval, and advise on consistency with approved strategy.

4. Assist in the development of corporate policies, positions and responses to proposed regulations and legislation as they affect the sale and service of company products. Maintain liaison with the automobile insurance industry in communicating the company's ongoing efforts to raise quality standards of new products.

5. Assess present and future personnel and organizational needs in the sales and marketing functions worldwide and develop with the operating activities action plans to meet identified requirements as corporate strategic plans evolve and change. Conduct prior reviews of key personnel appointments in the marketing functions for conformance to the strategic personnel development plan.

6. Provide, as required, functional assistance to the OCE, operations and other staffs on the conduct of special studies or identification and correction of operating problems.

7. Direct the development and execution of corporate advertising programs. Recommend advertising and merchandising programs to operating components and assist them in their relations with advertising agencies.

8. Develop, execute and report marketing research studies for the OCE, Corporate Strategy and Analysis Staff, International Automotive Operations and Diversified Products Operations.

9. Provide assistance, as required, in the evaluation of marketing training matters worldwide.

analysis, governmental relations, public affairs, personnel and organization, design, general counsel, and labor relations. As shown in Exhibit 2, four executives who report to the vice president—marketing oversee the department's key staff elements—marketing plans, marketing operations, advertising, and marketing research.

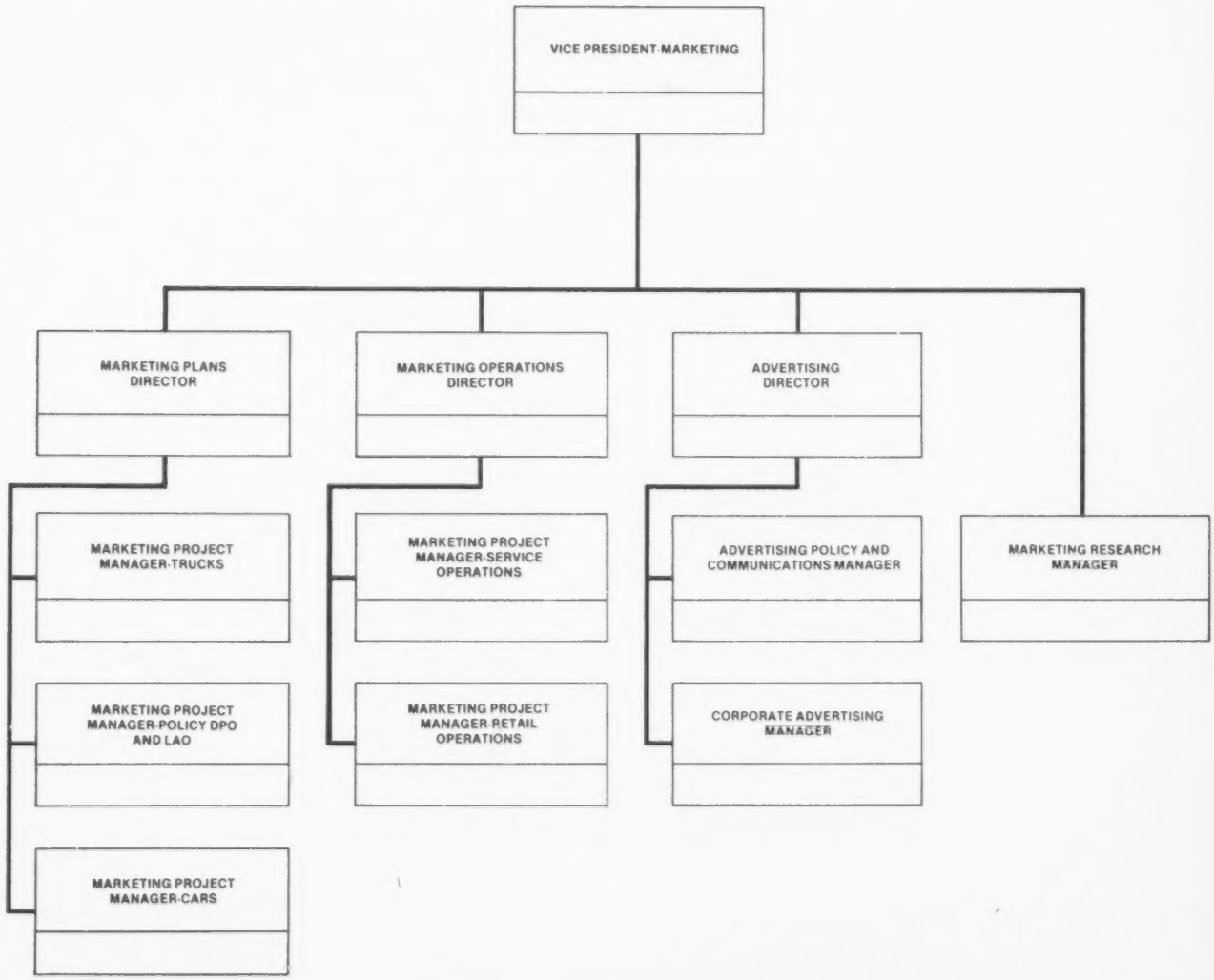
Eliminating the Chief Marketing Position

It is hardly surprising that, since the 1960's, a number of large manufacturers have dropped the position of corporate chief marketing executive. For many such companies, the 1970's were a period of rapid growth and diversification, and, as has been shown, a company's size and the relative homogeneity of its various operating units are importantly associated with the maintenance of a corporate marketing post.

In an ironic twist, termination of the position in some cases can also be attributed in part to the success of its earlier holders. Embracing the popularized "marketing concept," which put prime emphasis on anticipating and meeting customers' needs and wants, many chief executive officers first established such top-level marketing posts in the 1960's in an effort to convert their production- or sales-oriented companies to a new "marketing orientation." As Conference Board investigations at the time confirmed, the initial actions taken by such newly appointed marketing heads commonly included the formation of an integrated collection of marketing staff functions at headquarters, the establishment of marketing policies and planning procedures with companywide applications, and the general promotion of marketing's cause at all company levels.

In time, the success of these efforts often meant that a company's principal operating units would gradually ac-

Exhibit 2: Organization Chart for Corporate Marketing Staff, Ford Motor Company



Reasons for Eliminating the Top Marketing Post

"Because of corporate size and diversity, it became impossible for this position to be involved with and helpful to the many and varied divisional markets, marketing personnel, and customers. It was concluded that marketing should reside closer to the customer, and the corporate staff position was eliminated."

—A diversified manufacturer

* * *

"Separate manufacturing and marketing-sales companies were merged. We reorganized into semi-autonomous operating divisions headed by marketing-oriented division presidents."

—A textiles company

* * *

"The corporate marketing position was terminated in 1978. The management style of the corporation provided insufficient scope for an impact on operations. There has been complete decentralization of marketing management, except for specialized advertising and market research functions."

—A producer of industrial accessories

* * *

"The business was divided into profit centers. Marketing has moved into the operating divisions to provide a faster reaction time to changes in the business and to make decisions closer to the day-to-day operations."

—A specialty chemicals company

* * *

"As technology increased and product lines broadened, we found the job was not needed. We have been very successful with marketing and sales management assigned to the groups. The customers prefer this—it gives a tighter 'feel' of the marketplace."

—A machine tool manufacturer

* * *

"Tremendous growth of company and diversity of products and services has been the reason. It has become impractical and would indeed be unwise to attempt to maintain conventional marketing functions on a centralized basis in a highly decentralized corporation. We had to delegate this to the units."

—A producer of oil well equipment

* * *

"Eight years ago it was determined that the sole acceptable style of management was to have separate, autonomous, subholding corporations. All marketing responsibilities were vested within these operating companies."

—A diversified manufacturing company

"The position was mostly of a consulting nature. As product and divisional mrketing activities became more sophisticated, the corporate advisory position was not reestablished upon the executive's retirement."

—A manufacturer of general-purpose equipment

* * *

"The function was eliminated in 1977 when the major domestic operating company was created from several geographic and functional companies. Since this unit contained the overwhelming majority of marketing activity, a chief marketing executive at the corporate level to 'coordinate' marketing activities was no longer necessary."

—A petroleum company

* * *

"Organization of the corporation into groups resulted in each group having a vice president of marketing. A corporate vice president of marketing still exists, but in primarily a consultant role."

—An equipment manufacturer

* * *

"When this position began to usurp division marketing responsibilities, it was dissolved. Marketing and pricing responsibilities are now delegated to the product divisions and subsidiaries, in accordance with the corporation's decentralization philosophy and in order to better pinpoint profit and loss responsibility."

—A communications equipment company

* * *

"When the company began to divisionalize, and the last incumbent retired, marketing activities other than certain staff corporate assistance were gradually shifted to the divisions."

—A manufacturer of general-purpose equipment

* * *

"The individual was ineffective, due in part to the diversity of the company. It was felt by top management that marketing strategies formulated at the corporate level on behalf of operating units shifted the full responsibility for implementation away from the general managers of the units."

—A producer of special-purpose equipment

* * *

"The company was formerly organized into marketing, sales, R&D, and vertical manufacturing structures, and only the chief executive could coordinate priorities. Now, organization pushes profit responsibilities deeper. Each major group has total responsibility for its own marketing-related activities, with an overriding need to coordinate with other groups. These changes were made because of the growth of the business, the complexity of the business, and the fact that changes occur more frequently in today's economy."

—A rubber company

cumulate their own marketing skills and support capabilities, with lessened need for centralized guidance or assistance. Once the balance had tipped far enough in some cases, the chief-marketing position was simply abolished or not filled when it became vacant.

Examples of specific reasons given by some companies surveyed for abandoning the position of corporate vice president of marketing (or some similar title) are reported in the box on page 14. The proximate cause was usually an organization review by top management, initiated perhaps by concern about corporate overhead or as part of a corporate reorganization by a newly appointed chief executive officer.

In some companies, however, the push came largely from below. Says an executive of a large chemicals company: "The corporate role for marketing was not accepted by the operating divisions as these moved toward more autonomy." Others similarly cite instances of conflict when "strong divisional heads" demanded all the trappings of accountability for their divisions' progress.

Still other philosophic and practical reasons for terminating the chief marketing position are clearly linked to a proliferation of businesses and product lines in the aftermath of acquisition programs. The question began to surface, in some cases, whether *any* individual was capable of effectively carrying all the responsibilities for maintaining a centralized marketing department. "The company became so diverse that this position was untenable," notes one executive. "Nobody's that smart," asserts another. Even in a company that makes and sells only two broad product lines, management's conclusion was that it was "impossible to provide marketing advice or assume control for such a diverse set of markets."

In such ways, the seeming "ineffectiveness" of having a single, headquarters-based marketing head, as perceived by top management from above or by divisional managers from below, has sometimes provided further justification for abolishing the position altogether. In one reported case: "At his retirement party they spoke of him as being irreplaceable. What they really meant was that he would not be replaced."

It should be remembered that comments such as these (and those cited in the accompanying box) are in keen contrast to the experiences and testimonials of respondents from other companies in which the position of corporate chief marketing executive continues to be an active and well-established one. And, as previously cautioned, it is especially important to recognize that when a company has eliminated the topmost corporate marketing post—or, in fact, has taken any action to decentralize its marketing activities—this does not indicate per se its formal de-emphasis of marketing throughout. Indeed, it is often said that, in the aftermath, marketing was "beefed up" at the group and divisional levels.

Reinforcement of marketing endeavors at the level of groups in a company has often stemmed naturally from the same factors that defined the basis for a clustering of operating units into groups in the first place. In half the companies that have a group structure, the rationale for such clustering is a similarity or an actual sharing of markets or product users. Other possible common elements of units are of considerably lesser importance in the logic of group formation. (See Table 10.)

Surrogates for the Chief Marketing Executive

In a small minority of firms there is no corporate chief marketing executive, and yet marketing is said nonetheless to be a top-of-the-mind preoccupation of *most* senior managers. For example, this is the exceptional situation for certain producers of consumer packaged goods that have so many marketing-oriented members of senior management—both at headquarters or as heads or functional practitioners of their operating units—that none is deemed to be "the chief marketing executive"—unless it be the CEO.

There are also a few firms that have someone at headquarters who oversees staff services of a marketing nature, but who, for one reason or another, is not formally recognized by senior management as having the status of "chief marketing executive." The semantic or rank distinctions in such cases would not always be evident to an outsider. A case in point is a manufacturer of automobile parts with a newly established corporate staff position carrying the title of "director of marketing services." The incumbent is expected to counsel, consult and work with marketing and general management executives in the company's divisions, as well as to serve as an adviser to corporate management; and one of his missions is to raise the level of marketing involvement throughout the company. Despite all this, and the fact that the individual reports directly to the chairman of the board, he still is not acknowledged at that level to be the company's "chief marketing executive."

Table 10: Principal Basis for Combining Operating Units into "Groups"

Basis Is Mainly a Similarity or Sharing of:	*Percentage of Companies*[1]
Markets or major user groups	51%
Technological resources or know-how	37
Production facilities or know-how	28
Distribution or trade channels	14
Marketing resources or know-how	10
Sales force (or selling) resources or know-how	8
Some other specific factor	11

[1]Based on information provided by 183 multibusiness manufacturers whose operating units are combined into groups. Percentages add to more than 100 because of some multiple mentions.

In almost all other cases, however, the absence of anyone at topside who is considered to be the corporate chief marketing executive is likely to have two important consequences. Virtually by definition, there will exist no one senior individual whose prime missions are:

(1) To evangelize "the marketing mind-set" upward to top management and downward to managers of the operating units; and

(2) To hold and exercise the reins as staff monitor and coordinator of all marketing efforts companywide.

Committees

Sometimes, in the absence of a marketing head, a committee is created to ensure at least some internal interchange and communication of marketing concerns.[1] Here are some examples:

- Management of a specialized chemicals producer has set up a corporate operating committee to review the marketing thrust of each division twice a year, in tandem with a review of financial matters.
- Divisional marketing managers of an office-supplies manufacturer hold bimonthly meetings "to compare notes and attempt to resolve problems common to all divisions."
- At a computer company, marketing personnel in various divisions that serve related markets are now holding more frequent meetings in an attempt to "increase synergy" and to ensure joint reviews of divisional marketing plans.

Other Surrogates

In companies without a formalized corporate marketing function, members of general management will occasionally launch ad hoc efforts to improve overall marketing performance at the business-unit level. In one giant firm, this has meant conducting seminars on such subjects as competitive analysis and marketing strategy, and also working with line managers to improve their effectiveness in environmental scanning and forecasting.

As observed earlier, it is seldom the case, except in the world of conglomerates, that corporate marketing activities collapse completely, and so there are other ways that the apparent vacuum may be partially filled. In some instances, it is the head of a related headquarters function that still remains, such as marketing research, who tries to do so; occasionally, it is the ranking marketing executive in a major operating division.

A few other companies have in-house staff consultants on marketing matters whose responsibilities include at least some that might logically be those of a chief marketing executive, if such a position were in existence. (See the box below for the reported scope of duties for one such consultancy unit.)

In the headquarters context of some firms, there remains one other potential candidate to serve as a partial surrogate for the corporate marketer: the corporate planner. And, often by default, certain of the specialized roles normally performed under marketing's jurisdiction have, in some cases, been taken over by the corporate planning function.

The Chief Planning Executive

By now, two-thirds of the multibusiness manufacturing companies surveyed have a senior executive at the corporate level who is generally regarded as being "the chief planning executive." Among such companies, chief corporate planners now outnumber chief corporate marketers by more than two to one, their ranks having grown rapidly during the 1970's in contrast to the declining numbers of their marketing counterparts over the same period. (See Exhibit 3.) The extent to which companies have one or both of these positions, as shown in Table 11, is instructive: Nearly five in ten have a chief planning executive but no chief marketing executive; two in ten have both; about one in ten has a

One Company's Arrangements for In-house Marketing Consulting

The management of Rexnord Inc., a large diversified manufacturer of specialized equipment and industrial systems, has established a corporate planning and diversification department whose functions are described as "an integral extension of the corporation's senior management."

The department's responsibilities include providing consulting services for marketing, strategic and business planning; acquisition and divestiture; and business analysis. Services in each of these main areas, as offered to the company's business units, include some marketing elements.

Among the consulting possibilities available that relate specifically to marketing are:

- Evaluating new markets, industries, products and technologies, with consideration to the competitive climate, risk factors, opportunities, customer needs, resulting strategies, and profit potential.
- Assessing existing product potential, with consideration to future growth, the competitive climate, new industry opportunities, resulting strategies, and profit potential.
- Evaluating current sales and marketing approaches as to effectiveness of sales coverage, distribution methods, and potential action plans.
- Analyzing competitors as to their product lines, strategies, and strengths and weaknesses; and recommending strategies to counter competitors' actions.

[1]Similar arrangements exist in many other companies that have corporate marketing heads, such as an electronics company with both a marketing council and an advertising council, each of which meets monthly.

Table 11: Presence of Chief Marketing Executive and/or Chief Planning Executive at the Corporate Level

At the Corporate Level There Is:	*Percentage of Reporting Companies*
Both a chief marketing executive and a chief planning executive	21%
A chief marketing executive but no chief planning executive	9
A chief planning executive but no chief marketing executive	46
Neither a chief marketing executive nor a chief planning executive	24
	100%

marketing head but no planning head; and the rest have neither.

In terms of their titles, companies' chief planning executives divide into three roughly equal groups. First are those with straightforward "planning" or "strategic planning" titles. Second are those with titles indicating responsibility for "development" alone (for example, "vice president—commercial development"), or combined responsibility for both "planning and development."* Third are those that have titles reflecting various approaches, including cases where members of general management assume the chief planning role or where it is assigned to an executive with some other functional title, such as that of vice president of finance.

Relevant to the concerns of this report is the practice of some firms in giving the corporate development department prime responsibility for, among other things, new-product development and, sometimes, corporate marketing research as well. These and other clues suggest that the role of the department head tends to be more like that of a corporate marketer than of a corporate planner, which perhaps is why a corporate vice president for development infrequently coexists with a corporate vice president for marketing.

Traditionally, corporate planning emerged largely as an outgrowth of the budgeting and financial planning process. In some companies, of course, concern with broad strategy considerations has long forced routine, high-level attention to issues closely related to markets and marketing. There is abundant evidence, however, of heightened emphasis on such issues more recently on the part of senior management—and hence of staff planners—in a growing number of other companies as well. Moreover, both marketers and planners have drawn increasingly from the

*A corporate executive with a "development" or "commercial development" title more often coexists alongside a corporate planning executive, rather than having an overlapping or combination assignment representing a "planning and development" position. See Rochelle O'Connor, *Managing Corporate Development*. The Conference Board, Report No. 771, 1980.

The Escalation of Corporate Planning

Very few of the manufacturers surveyed had a chief planning executive on their corporate staffs before the early 1960's. After 1970, the percentage with such a position began to grow very rapidly, as shown below:

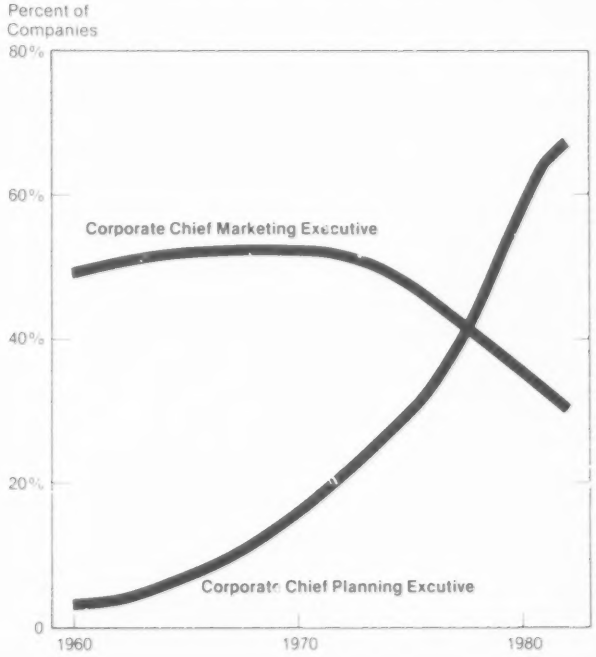
Year Planning Position Was Established	*Percentage of Companies Reporting*[a]
Before 1960	1%
1960-1969	9
1970-1974	20
1975-1979	37
1980 and after	20
Year not reported	13[b]
Total, all companies	100%

[a]197 multibusiness manufacturing companies having a senior executive at the corporate level generally regarded as being the "chief planning executive."

[b]There is reason to believe that many of the positions for which the year of establishment was not reported were, in fact, created prior to the early 1970's.

Contemporaneously (see pages 13-15), it was during the years after 1970 that a number of these same companies were shedding their corporate-level marketing chiefs.

Exhibit 3: Illustration of Trends: Presence of Corporate Chief Marketing and Planning Executives in Multidivision Manufacturing Companies



same growing body of analytical techniques for futurist studies, market forecasts, competitive appraisals and the like.

Such partial overlapping in orientation, resources and methods no doubt helps to account for the most obvious and extreme example of a planning takeover from marketing: a major switch in reporting relationships for many corporate marketing research departments. In more than half of the multidivision manufacturing companies with a formally organized marketing research function, its head now reports to a planning or development executive—a situation to be examined later (Chapter 4). Typical is the paper manufacturer where, following a much stronger commitment to strategic planning, "the corporate development function provides product and market research and development services to plan, organize and implement strategies."

Generally, however, marketing and planning are more like cousins than siblings. Only a minority of managements that see some measure of substitutability between elements of the two functions have judged them to be virtually interchangeable at the headquarters staff level. This includes the managements of the just over 10 percent of the companies that have a corporate marketing head, in which the title of the position's holder indicates responsibility as well for corporate planning or corporate development.[10] It also includes a very few whose actions, in effect, have brought marketing back to headquarters but in a different guise. One member of this group is the president of a chemical company who has given the firm's director of corporate planning and development jurisdiction not only over the company's marketing research function, but also over its advertising and sales-promotion activities. The executive is charged further with the mission of improving marketing skills within the company's operating divisions, by providing training and guidance in the preparation of marketing plans.

Other efforts to inject a marketing flavor into staff efforts at the headquarters level include the setting aside of specialized marketing assignments or subfunctions—other than marketing research—within a company's planning or development department. In more than one firm, for example, a manager of market development reports to the vice president of corporate development.

More commonly in evidence are signs of less formal substitutions in the complete absence of anyone who acts as the chief marketing executive. Thus, a company's chief executive seeking guidance on market and marketing matters will sometimes rely on its top planning executive for such counsel. On the other hand, the second thoughts of other CEO's about living with the lack of a professional marketing presence at headquarters has led to the function's recentralization in their companies, a development which is reported in Chapter 5.

[10]The attention given to marketing by these wearers of two hats differs a great deal. Some are *mainly* marketers. A few others openly concede, in the words of one, that marketing "is not an important function in this office."

Chapter 3
Major Marketing Activities

MORE THAN MOST familiar business functions, *marketing* potentially consists of an extremely diverse mixture of activities. Within the manufacturing firm, some of these relate to managing and implementing tasks required for selling and distributing the company's products. Others have to do with behind-the-scenes planning on behalf of existing products, new products, future market campaigns and the like. Still others involve the development of information resources for guiding planners and for monitoring the results of marketing action, such as through marketing research or sales analysis. Marketing communications account for yet another assortment of activities, including those necessary to ensure various forms of promotional support for the company's marketing efforts.

Locational Levels

When a manufacturing company is divided into multiple business elements, it may be that a particular kind of marketing activity can be found at only a single organizational level within the company—that is, either at corporate headquarters, at a middle group level, or at the lowest operating level (e.g., within its divisions, SBU's or subsidiaries). However, in such a company it is possible to locate relatively similar kinds of marketing activities at multiple levels, with the specific orientations and tasks in this event usually differing at each level.

Table 12 shows the organizational locations—corporate, group and divisional (or other similar operating units)—of 32 major categories of marketing-related activities in the 294 multibusiness manufacturing companies studied. Table 13 offers a more detailed breakdown of the specific *combinations* of levels at which each activity is found in the same companies.

Several points stand out:

- Each of the marketing-related activities cited exists in some form and at some level within a large majority of the companies.
- Certain kinds of marketing-related activities have been located by most managements not at just one level of organization but at two or, occasionally, even three.
- With few exceptions, most of the marketing-related activities identified are located far more often at the divisional level than at either the corporate or group levels.
- The exceptions—where an activity is found more often at corporate headquarters than, say, at the divisional level—include corporate or institutional advertising (78 percent as against 11 percent) and economic research (77 percent as against 38 percent). Other instances: coordination of development on behalf of major new-product projects not related to existing lines (59 percent to 54 percent); and advertising agency policy decisions (58 percent to 51 percent).
- Selling and distribution activities of any kind are least likely of all to be lodged at headquarters.
- Among those companies organized into groups (two-thirds of the total), relatively few elect to locate any kind of marketing activity *solely* at the group level.

To a logical and feasible extent, most managements clearly prefer to delegate to each individual operating entity the primary responsibility for those activities that most directly determine its marketing destiny. This preference, as has been indicated, applies most strongly of all in the cases of the major functions relating to selling and distribution—including the servicing and selling of both regular and national-account customers, foreign marketing operations, export sales, distributor relations, product service, customer service, and sales training. (As many as 30 percent of the companies do find it expedient to give some centralized attention to physical distribution or traffic.) A similar concentration of operating-level responsibility exists in about nine out of ten companies for such functions as marketing planning, pricing, market development, sales analysis, sales forecasting, and the development of both product-line extensions and major new items related to existing lines.

An exception already noted is the development of wholly new products that are not related to existing lines. Although such development work goes on at the lowest divisional (or other operating unit) level in slightly over half the companies, an even higher percentage arrange for selected projects of this kind to be undertaken centrally at headquarters (and, in nearly one-third of the cases, at the group level).

Table 12: Locations of Marketing-Related Activities

Activity	Percentage of Companies in Which Indicated Activity of Some Kind Exists			
	Corporate Level	Group Level	Divisional or Other Operating-unit Level	No Answer or Not Applicable
Advertising and Promotion				
Corporate or institutional advertising	78%	6%	11%	16%
Product advertising	26	22	84	1
Advertising agency policy decisions	58	21	51	4
Media selection or purchase	47	20	74	2
Sales promotion	22	17	88	1
Product publicity	32	17	79	2
Merchandising	13	15	78	13
Packaging	17	13	72	15
Sales and Distribution				
Sales to major or "national" accounts	17	27	83	2
Sales to other selected classes of customers	8	16	90	1
Sales to all other customers	5	12	91	*
Export sales	20	27	72	2
Other foreign marketing operations	19	26	67	7
Distributor or dealer relations	11	17	83	7
Physical distribution or traffic	30	18	75	4
Sales training	19	22	83	1
Customer service	11	16	88	*
Product service	10	14	88	3
Business Research and Analysis				
Research on markets	58	32	76	*
Research on competitors	54	30	81	*
Advertising research	43	16	57	10
Environmental scanning	55	20	46	18
Economic research	77	19	38	5
Sales analysis	28	29	89	*
Sales forecasting	31	28	89	—
Marketing information systems	41	24	71	3
Products and Planning (excluding R&D)				
Preparation of marketing plans	23	26	90	*
Product pricing	19	26	90	*
Market development	22	26	88	1
Product-line extensions	22	24	86	2
Major new products related to existing lines	29	26	85	1
Major new products not related to existing lines	59	31	54	6

[1]Based on information provided by 294 multibusiness manufacturing companies. All have operating divisions (or other operating units, such as SBU's or subsidiaries); 67% are also organized into groups. Percentages in table may add across to more than 100% because of the possible reported location of activities in the same category at more than one organizational level in a company. An asterisk (*) means less than one-half of one percent.

Over the past two decades, responsibility for both product advertising and sales promotion activities has been pushed increasingly down to the operating level. Table 14 confirms the trends.

The various categories of marketing activities listed in Tables 12 and 13 do not match up precisely, of course, with functional boundaries and assignments for units or personnel within a particular company. It should also be emphasized that the indicated presence of a particular kind of marketing activity at one organizational level or another by no means implies the existence of a full-scale department devoted solely to that activity. In fact, it offers no real clues as to the nature, scope or quality of work relating to that activity.

Thus, for example, when marketing research, sales analysis, and competitor analysis are all reportedly con-

Table 13: Combinations of Marketing-Related Activities at All Company Levels

Activity	Percentage of Companies[1] in Which Indicated Activity of Some Kind Exists at: Corporate Level Only	Corporate and Group Levels Only	Corporate and Divisional (Operating-unit) Levels Only	Corporate, Group and Divisional (Operating-unit) Level	Group Level Only	Group and Divisional (Operating-unit) Levels Only	Divisional or Other Operating-unit Level Only
Advertising and Promotion							
Corporate or institutional advertising	67%	3%	7%	1%	2%	—	3%
Product advertising	8	1	12	4	6	11%	57
Advertising agency policy decisions	31	6	17	4	8	3	27
Media selection or purchase	17	3	21	7	4	6	41
Sales promotion	6	1	13	3	4	9	64
Product publicity	13	1	15	3	6	7	54
Merchandising	4	*	7	2	6	7	62
Packaging	7	1	7	2	5	5	57
Sales and distribution							
Sales to major or "national" accounts	4	2	7	4	9	12	61
Sales to other selected classes of customers	3	—	4	1	5	10	76
Sales to all other customers	3	—	2	*	6	6	83
Export sales	11	1	5	2	13	10	55
Other foreign marketing operations	11	2	6	1	13	11	50
Distributor or dealer relations	3	1	4	1	5	9	68
Physical distribution or traffic	13	2	13	2	7	7	53
Sales training	8	2	7	3	8	10	63
Customer service	5	1	3	2	5	8	76
Product service	5	—	3	2	4	7	76
Business research and analysis							
Research on markets	13	4	28	12	6	10	26
Research on competitors	11	3	27	13	5	9	32
Advertising research	23	4	15	1	6	4	36
Environmental scanning	26	5	19	6	6	3	18
Economic research	46	7	17	7	4	2	13
Sales analysis	5	2	13	8	3	15	53
Sales forecasting	5	2	14	10	4	12	53
Marketing information systems	15	3	17	6	7	9	40
Products and planning (excluding R&D)							
Preparation of marketing plans	4	2	10	7	4	14	59
Product pricing	4	1	8	6	4	15	61
Market development	4	1	12	4	5	15	57
Product-line extensions	5	2	10	5	5	13	59
Major new products related to existing lines	7	2	13	7	5	11	54
Major new products not related to existing lines	26	8	14	11	6	5	24

[1]Based on information provided by 294 multibusiness manufacturing companies. Percentage combinations may not add across to counterpart totals shown in Table 12 because of rounding. An asterisk (*) means less than one-half of one percent.

ducted both at a company's headquarters and in its divisions, this may mean that scattered market analysts at the lower level, each working pretty much alone and with minimal resources, are engaged primarily in the short-term tracking of market trends, account sales, competitive activity, and marketing performance for their respective divisions. At the same time, the company's central marketing research department may have a large complement of specialists whose projects routinely include not only broad-gauged investigations of market developments and requirements, but also various kinds of futurist analyses, new-product evaluations, and advertising research investigations for the benefit of both headquarters and operating-level clients. (Apart from such a broad mix, at least one large firm—in an extreme situation—also maintains separately an entire staff department whose sole mission is to evaluate competitive developments in the company's key markets.)

Table 14: Trends in Locational Levels for Product Advertising and Sales Promotion, Divisionalized Manufacturing Companies

Location	*1964*[a]	*1967*[b]	*1982*[c]
Product Advertising Functions			
Corporate level only	54%	37%	8%
Divisional (and/or group) level only	28	28	75
Both corporate and divisional (and/or group) levels	18	35[d]	17
Total	100%	100%	100%
Sales Promotion Functions			
Corporate level only	40%	27%	6%
Divisional (and/or group) level only	41	53	77
Both corporate and divisional (and/or group) levels	19	20	17
Total	100%	100%	100%

[a]As reported by just over 100 companies. Source: Morgan B. MacDonald and G. Clark Thompson, "Specialization in Marketing." *The Conference Board Record*, June, 1964.

[b]As reported by 143 companies. Source: David L. Hurwood and Earl L. Bailey, *Advertising, Sales Promotion and Public Relations - Organizational Alternatives*. EMM16, The Conference Board, 1968.

[c]As reported by 291 companies in the present survey.

[d]This high incidence of advertising at both levels, a distortion, results from the fact that both product advertising and corporate advertising were covered in the 1967 survey.

Most Centralized, Least Marketing-Related Activities

Two activities reported on, which are in many ways and in many contexts least directly related to marketing, are also those most frequently found primarily at the corporate level. One is assigned responsibility for corporate and institutional advertising, a matter of natural concern to headquarters management. This activity, the only one cited that usually exists at the corporate level *only* (the situation in two-thirds of the companies), is often part of a separate, centralized function that takes care of all company communications and public-relations activities. Where such a department exists, its charter usually encompasses corporate advertising policy and agency relations, as well as the centralized selection and buying of media.

Economic research is another activity similarly centralized in over three-fourths of the companies. One practical reason for this is that general management usually has first call on the findings. Another is that the staffing and conduct of economic research becomes less affordable if provided for at multiple company levels. A single function is also consistent with the requirement of some managements that there be companywide acceptance of a single set of economic assumptions and forecasts by planners at all levels. Both economic research and marketing research are sometimes carried out within the same department, whose title may even reflect the combination. (See page 29.) More often, however, the economic research function reports on its own to an executive outside the marketing area, such as a head of planning or corporate development.[1]

[1]See David I. Fisher, *The Corporate Economist*. The Conference Board, Report No. 655, 1975. This study of economics research units in seventy-five companies found one in four reporting to an executive with a marketing or sales title or with a marketing research (including "commercial" or "business" research) title.

Nonexistent Activities

Incidental to the principal patterns of practice summarized in Table 12 are some clues to the relative number of large multibusiness manufacturers that do not conduct certain marketing-related activities in a formally established manner at any level within their organizations. (Interpretation of these clues, it should be cautioned, depends in part on conjecture.) For example, once the "not applicable" responses are separated from the "no answer" responses in the right-hand column, it may be inferred that approximately 14 percent of the reporting companies do not engage in any corporate or institutional advertising; 9 percent apparently carry out no advertising research on their own; and 14 percent conduct no equivalent of environmental scanning. The corresponding figures for packaging (12 percent) and merchandising (11 percent) reflect the fact that such activities may be irrelevant and truly "not applicable" for the manufacturers of certain kinds of products.

From similar evidence, it may be inferred that virtually all of the reporting companies do engage in at least a modicum of research on markets and on competitors, and also that the preparation of marketing plans of one kind or another is by now almost universally practiced. Further, all but a few of these firms give at least some formal attention, somewhere within the corporation, to export sales and other foreign marketing operations.

Primary Roles of Corporate Marketing Activities

Each marketing-related activity located at the corporate level has one or more primary roles to perform. The possibilities include:

(1) Performing a centralized service for the company and/or its operating units. *(Example:* Centralized media purchases for every unit in the company by a corporate advertising department.)

(2) Controlling or monitoring the performance of an activity actually carried out within the company's operating units. *(Example:* A headquarters review routinely required of divisional pricing policies.)

(3) Providing an advisory or consulting service to corporate management. *(Example:* Research findings on the capabilities and actions of key competitors supplied on request to the company's CEO.)

(4) Providing an advisory or consulting service to the company's operating units. *(Example:* Specialized guidance to divisional planners on effective techniques appropriate for use in forecasting their units' sales.)

Just how much emphasis is given to each of these various roles—indeed, even the possibility for performing them—depends a great deal on individual company circumstances, including the nature of a particular type of activity that may exist in company units below the headquarters level. One consideration, as previously suggested, is whether these circumstances have led to the establishment (or perhaps the abandonment) of a corporate-level chief marketing executive position. Thus, the factors that influence senior management's decision as to whether or not the company should have such a corporate marketing head are similarly at work in influencing the locational levels of various marketing-related functions in the company, as well as the nature of the missions for those lodged at the topmost level. And patterns as to the placement and the role of some activity categories tend to differ between companies that do and do not have corporate marketing heads, as Tables 15 to 18 reveal.

To cite a single example: One-third of the reporting companies with a chief marketing executive provide for headquarters attention of some kind to national account sales, a practice followed by fewer than one company in ten without a corporate marketing head. Moreover, in six out of ten companies having a chief marketing executive, the primary headquarters role with respect to national accounts is that of actually performing a centralized function for the benefit of the company as a whole and/or its operating units; whereas this is the case with fewer than four in ten companies lacking such an executive.

This situation for a specific category of activities illustrates a more general rule for most corporate-level marketing functions when there is no marketing head: In that context, the role of providing a centralized service tends to become less important than the staff advisory role as consultant to corporate or operating management.

When there is a corporate marketing head, however, a corollary rule is that the actual performance of a centralized service is usually the most important staff role by far. Moreover, there are indications that, as contrasted with findings of a 1971 Conference Board study, serving as the adviser to the company's CEO and as a sounding board on marketing issues tends less often to be a major responsibility of today's marketing heads.[1]

The next chapter affords a closer look at a particular set of functions—those pertaining to marketing research and analysis—especially when these are organized into a full-fledged department at corporate headquarters. Many of the arguments cited there for and against maintaining such a facility apply analogously to the possible centralization of other kinds of marketing staff functions.

[1]Source for the 1971 findings is Hopkins and Bailey, 1971.

Table 15: Locations of Marketing-Related Activities in Companies Having a Corporate Chief Marketing Executive[1]

Activity	Percentage of Companies in Which Indicated Activity of Some Kind Exists at: Corporate Level	Group Level	Divisional or Other Operating-unit Level	No Answer or Not Applicable
Advertising and Promotion				
Corporate or institutional advertising	83%	5%	13%	14%
Product advertising	39	22	74	1
Advertising agency policy decisions	78	13	40	5
Media selection or purchase	85	21	71	—
Sales promotion	43	16	81	1
Product publicity	50	15	72	—
Merchandising	30	16	71	12
Packaging	32	14	60	20
Sales and Distribution				
Sales to major or "national" accounts	35	23	82	1
Sales to other selected classes of customers	18	14	86	2
Sales to all other customers	14	11	86	—
Export sales	36	18	66	3
Other foreign marketing operations	40	18	57	14
Distributor or dealer relations	23	17	74	11
Physical distribution or traffic	48	13	67	9
Sales training	41	18	78	1
Customer service	22	16	84	1
Product service	22	15	85	2
Business Research and Analysis				
Research on markets	78	23	67	1
Research on competitors	66	26	80	—
Advertising research	63	16	49	2
Environmental scanning	55	13	35	27
Economic research	86	9	25	6
Sales analysis	50	27	83	—
Sales forecasting	50	27	84	—
Marketing information systems	69	19	64	1
Products and Planning (excluding R&D)				
Preparation of marketing plans	41	28	83	—
Product pricing	38	27	86	—
Market development	46	25	82	—
Product-line extensions	36	25	80	2
Major new products related to existing lines	53	24	77	1
Major new products not related to existing lines	76	26	49	3

[1]Based on information provided by 88 multibusiness manufacturing companies having a chief marketing executive at the corporate level. Percentages add across to more than 100 because of possible multiple locations for a given activity within the same company.

Table 16: Locations of Marketing-Related Activities in Companies Lacking a Corporate Chief Marketing Executive[1]

Activity	Percentage of Companies in Which Indicated Activity of Some Kind Exists at: Corporate Level	Group Level	Divisional or Other Operating-unit Level	No Answer or Not Applicable
Advertising and Promotion				
Corporate or institutional advertising	76%	7%	11%	17%
Product advertising	20	22	88	1
Advertising agency policy decisions	50	25	56	4
Media selection or purchase	40	19	76	2
Sales promotion	13	18	90	1
Product publicity	24	18	82	2
Merchandising	6	14	81	13
Packaging	11	13	77	13
Sales and Distribution				
Sales to major or "national" accounts	9	28	84	2
Sales to other selected classes of customers	4	17	92	1
Sales to all other customers	2	13	93	1
Export sales	13	30	75	2
Other foreign marketing operations	11	30	71	5
Distributor or dealer relations	5	17	86	6
Physical distribution or traffic	22	20	79	2
Sales training	10	23	85	1
Customer service	6	16	90	—
Product service	5	13	89	3
Business Research and Analysis				
Research on markets	49	36	80	—
Research on competitors	50	32	81	1
Advertising research	35	16	60	14
Environmental scanning	56	23	51	14
Economic research	72	23	44	4
Sales analysis	19	29	92	1
Sales forecasting	22	28	91	—
Marketing information systems	29	27	75	4
Products and Planning (excluding R&D)				
Preparation of marketing plans	16	25	93	1
Product pricing	12	25	91	1
Market development	12	27	91	1
Product-line extensions	16	24	89	2
Major new products related to existing lines	18	26	89	1
Major new products not related to existing lines	52	33	57	7

[1]Based on information provided by 206 multibusiness manufacturing companies that have no chief marketing executive at the corporate level. Percentages add across to more than 100 because of possible multiple locations for a given activity within the same company.

Table 17: Primary Role of Corporate-Level Marketing-Related Activities in Companies Having a Corporate Chief Marketing Executive

Activity	Base Number of Companies Reporting Existence of Indicated Activity at Corporate Level[2]	Percentage of Companies[1] Reporting the Primary Role(s) of the Indicated Activity at Corporate Level to Be: Actually Performing a Centralized Service for the Company and/or Operating Units	Controlling or Monitoring Performance of Activity Actually Carried Out Within Operating Units	Providing an Advisory or Consulting Service to Corporate Management	Providing an Advisory or Consulting Service to Operating Units
Advertising and Promotion					
Corporate or institutional advertising	73	93%	12%	11%	10%
Product advertising	34	71	24	6	18
Advertising agency policy decisions	69	71	23	19	19
Media selection or purchase	57	65	23	12	26
Sales promotion	38	53	34	—	26
Product publicity	44	84	16	—	11
Merchandising	26	62	23	12	31
Packaging	28	54	21	11	43
Sales and Distribution					
Sales to major or "national" accounts	31	61	29	13	23
Sales to other selected classes of customers	16	62	31	—	13
Sales to all other customers	12	67	42	—	—
Export sales	32	72	19	6	13
Other foreign marketing operations	35	60	17	20	26
Distributor or dealer relations	20	60	25	15	30
Physical distribution or traffic	42	62	21	10	24
Sales training	36	75	17	3	19
Customer service	19	53	26	—	21
Product service	19	63	16	5	—
Business Research and Analysis					
Research on markets	69	75	20	29	28
Research on competitors	58	62	19	33	33
Advertising research	55	69	13	16	24
Environmental scanning	48	71	8	29	17
Economic research	76	71	9	26	15
Sales analysis	44	55	21	21	16
Sales forecasting	44	50	21	25	27
Marketing information systems	61	75	15	20	20
Products and Planning (excluding R&D)					
Preparation of marketing plans	36	50	42	8	31
Product pricing	33	36	49	12	15
Market development	40	48	28	23	28
Product-line extensions	32	34	44	13	28
Major new products related to existing lines	47	40	36	21	34
Major new products not related to existing lines	67	52	36	27	16

[1]Percentages add across to more than 100 because of multiple roles mentioned for a given activity.
[2]Out of 88 multibusiness manufacturing companies having a chief marketing executive at the corporate level.

Table 18: Primary Role of Corporate-Level Marketing-Related Activities in Companies Lacking a Corporate Chief Marketing Executive

Activity	Base Number of Companies Reporting Existence of Indicated Activity at Corporate Level[2]	Percentage of Companies[1] Reporting the Primary Role(s) of the Indicated Activity at Corporate Level to Be: Actually Performing a Centralized Service for the Company and/or Operating Units	Controlling or Monitoring Performance of Activity Actually Carried Out Within Operating Units	Providing an Advisory or Consulting Service to Corporate Management	Providing an Advisory or Consulting Service to Operating Units
Advertising and Promotion					
Corporate or institutional advertising	156	85%	8%	8%	7%
Product advertising	42	62	21	7	33
Advertising agency policy decisions	102	62	19	13	28
Media selection or purchase	82	65	13	7	31
Sales promotion	27	56	19	7	44
Product publicity	49	57	6	8	27
Merchandising	12	67	8	—	50
Packaging	22	59	27	9	18
Sales and Distribution					
Sales to major or "national" accounts	19	37	26	16	37
Sales to other selected classes of customers	8	50	25	13	13
Sales to all other customers	3	33	33	33	—
Export sales	26	65	23	27	39
Other foreign marketing operations	22	68	14	14	23
Distributor or dealer relations	11	55	27	18	36
Physical distribution or traffic	45	69	9	7	27
Sales training	20	85	—	5	35
Customer service	13	69	23	15	—
Product service	9	67	11	22	11
Business Research and Analysis					
Research on markets	101	57	11	48	41
Research on competitors	102	49	12	48	43
Advertising research	71	58	13	18	27
Environmental scanning	115	58	17	35	29
Economic research	149	63	11	38	30
Sales analysis	39	28	18	54	33
Sales forecasting	46	37	22	46	22
Marketing information systems	60	52	12	32	25
Products and Planning (excluding R&D)					
Preparation of marketing plans	32	22	38	28	44
Product pricing	24	21	46	25	21
Market development	24	21	33	29	50
Product-line extensions	33	21	49	30	39
Major new products related to existing lines	37	32	41	30	43
Major new products not related to existing lines	107	52	25	30	21

[1]Percentages add across to more than 100 because of multiple roles mentioned for a given activity. Some of the bases, it should be noted, are very small.
[2]Out of 206 multibusiness manufacturing companies that do not have a chief marketing executive at the corporate level.

Chapter 4
Corporate Marketing-Research Units

OVER THE PAST DECADE, a decrease in the proportion of multibusiness manufacturing companies with marketing research formally conducted at the corporate level parallels the similar decline already described in the relative number of companies maintaining a chief marketing executive position. The change in both cases can be attributed to many of the same reasons.

A Conference Board survey in 1973 found that 36 percent of the participating divisionalized manufacturing companies then had a "formal, full-time marketing-research unit" at the corporate level *only,* while another 20 percent had such units at *both* the corporate and the group and/or divisional levels.[1] The resulting total of 56 percent compares (although only approximately) with the present survey's findings that 35 percent of the participating companies currently have a "formally organized marketing-research unit" at the corporate level.

This 35-percent figure includes 15 percent of the surveyed companies in which there is also a corporate-level chief marketing executive, and 20 percent in which no such position exists. (See Exhibit 4 for patterns of overlap.) It is noteworthy that about five in ten of the companies with a corporate chief marketing executive have a corporate marketing-research unit. In contrast, fewer than three in ten companies without a corporate marketing head have a corporate marketing-research department.

As Exhibit 4 also shows, companies that have relinquished the position of chief marketing executive during the past ten years are more likely to have retained a headquarters research function than are those lacking such a position both then and now.

Titles and Reporting Patterns

Where a corporate-level marketing-research unit does exist, the title of the unit's head is most likely to be director or manager of market (or marketing) research. A minority hold planning and/or development titles, or straight "marketing" or "marketing services" titles of some kind. (See Table 19.)

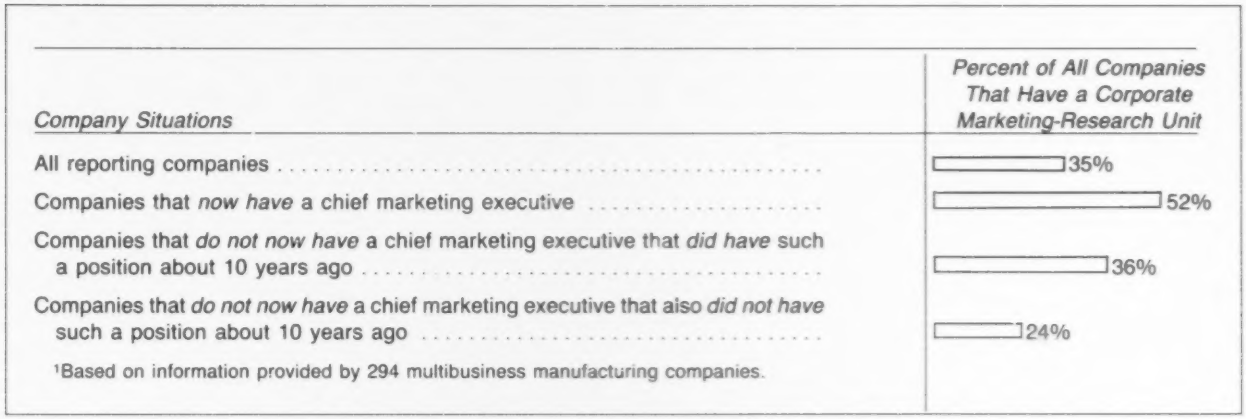
If there is a corporate chief marketing executive, about three in ten of the research heads report directly to that individual. (See Table 20.) Additionally, about four in ten report to some other executive at the corporate level with another marketing or sales title—often at an intermediate level below that of the chief marketing executive. Conversely, when there is no corporate chief marketing executive, only one in eight of the marketing research heads reports to an executive with any kind of marketing or sales title. In these circumstances, more than half report instead to an executive with a planning or business development title (and in 37 percent of the companies this individual is "the chief planning executive"). Many others in this category report to general management executives whose titles reflect neither marketing nor planning, such as to a senior executive in charge of corporate administration.

The size of a company, as measured by its annual sales volume, seems to have little bearing on the presence or absence of a corporate-level marketing-research unit. On the other hand, companies whose operating units are closely related in marketing ways are more likely than others to have such a unit. Specifically, more than four in ten such companies have marketing-research departments at the corporate level, while this is the case for only three in ten whose various businesses are not so related. As for reporting conglomerate companies, whose component businesses are by definition virtually unrelated on *any* common basis, fewer than one in ten maintains a formal corporate-level marketing-research unit.

As can be seen in Table 21 each of eight research-related activities is more apt to be conducted wholly or in part at corporate headquarters if the company has a formally organized marketing-research department at that level. This is not to say, however, that such an activity is always carried out by that specific department when it exists. As mentioned earlier, economic research, in particular, often is conducted by specialists who are independent of any

[1] David S. Hopkins, *Where Does Marketing Research Stand Today?* The Conference Board, 1974. Some findings from this special (unnumbered) report were later summarized in *The Conference Board Record* for November, 1974.

Exhibit 4: Presence of a Corporate Marketing-Research Unit, by Current or Previous Presence of a Corporate Chief Marketing Executive[1]


Company Situations
Percent of All Companies That Have a Corporate Marketing-Research Unit
All reporting companies
35%
Companies that now have a chief marketing executive
52%
Companies that do not now have a chief marketing executive that did have such a position about 10 years ago
36%
Companies that do not now have a chief marketing executive that also did not have such a position about 10 years ago
24%
[1]Based on information provided by 294 multibusiness manufacturing companies.

marketing staff functions; and environmental scanning often is carried out within a corporate planning unit

Table 21, viewed in conjunction with Table 22, shows the primary corporate roles of each research-related activity in companies having a corporate marketing-research unit. Among such companies, research on markets is conducted *exclusively* at the corporate level by 30 percent, and at the corporate level *plus* the group and/or divisional levels by an additional 56 percent, for a total of 86 percent having headquarters involvement in such research. In eight out of ten cases, the headquarters research unit provides a centralized service in this regard.

It may at first seem anomalous that 14 percent of the companies with corporate marketing-research departments evidently do not engage directly in research on markets at this level. A case-by-case examination of the situation in several of these companies suggests that while their corporate units have retained the cognomen of "marketing research," much of the work is concerned with other types of business research, especially with other research inputsto planning. For them, most research into actual conditions in specific markets or into market measurement has been delegated to their groups or divisions.

It may also seem surprising that nearly four in ten firms that do *not* have a formally organized marketing-research unit at corporate headquarters nevertheless report conducting some research on markets at this level. The clue lies in the qualifying words "formally organized." Although marketing research may not appear as a separate box on corporate organization charts of these companies, each of them has someone at that level—a planner, an economist, or some other analyst—who either routinely or occasionally engages in some kind of market analysis.

In general, locational patterns for competitor research are similar to those for research on companies' markets. Of all other research-related activities, sales analysis and sales forecasting are the least likely to be conducted, either wholly or in part, at headquarters. To be sure, support for both is provided as a centralized service in six out of ten companies with a corporate-level marketing-research department. But—as shown earlier in Tables 13 and 14—the preponderance of such activities are located within companies' operating units.

Table 19: Title of Head of the Corporate Marketing-Research Unit

Title[1]	*Number of Companies*
Titles including reference to "market" or "marketing"	
Director or manager, market research	27
Director or manager, marketing research	21
Director or manager, market or marketing and economic research	8
Director or manager, marketing services	6
Vice president, marketing research or marketing services	2
Director or manager, marketing	10
Marketing-research or marketing-information analyst	2
Other titles	
Vice president and/or director of planning	6
Other planning and/or development titles	7
Other research and planning or research and development titles	5
Other research titles	3
Other titles (and not reported)	4
Total companies	**101**

[1]Similar titles with or without the word "corporate" have been combined. Three heads of marketing research units are reported also to be the chief planning executives of their companies. In one small company, the chief marketing executive also heads both the corporate planning and marketing-research functions.

Table 20: Reporting Patterns for Corporate Marketing Research[1]

Executive to Whom Corporate Marketing Research Head Reports	*In Companies Where the Position of Corporate "Chief Marketing Executive"*	
	Now Exists (percent)	*Does Not Now Exist (percent)*
Executive with marketing or sales title		
"Chief marketing executive"	29%	—
Other marketing or sales titles	38	12%
Subtotal	67%	12%
Executive with mixed marketing and planning title		
"Chief marketing executive" who is also "chief planning executive"	4%	—
Other mixed marketing and planning titles	2	2%
Subtotal	6%	2%
Executive with planning title		
"Chief planning executive"	2%	37%
Other planning titles	9	8
Subtotal	11%	45%
Executive with development or business development title		
Subtotal	--	8%
Executive with other title		
President or chairman	7%	6%
Other	9	27
Subtotal	16%	33%
Total, all companies reporting	**100%**	**100%**

[1]Based on information provided by 96 multibusiness manufacturing companies with formally organized marketing-research units at corporate headquarters—including 45 companies that have a chief marketing executive at that level and 51 that do not. (Reporting titles were not provided by six other companies surveyed having corporate-level research units.) Note that some percentage bases are very small.

Table 21: Corporate Location for "Business Research and Analysis" Activities, by Presence or Absence of a Corporate Marketing-Research Unit[1]

Corporate-level Activity	*Percent of Companies with a Formally Organized Corporate Marketing-Research Unit (N = 102)*		*Percent of Companies with No Formally Organized Corporate Marketing-Research Unit (N = 191)*	
	Activity Is Located at Corporate Level Only	*Activity Is Located at Both Corporate Level and Other Levels*	*Activity Is Located at Corporate Level Only*	*Activity Is Located at Both Corporate Level and Other Levels*
Economic research	65%	22%	37%	34%
Research on markets	30	56	4	34
Research on competitors	24	55	4	37
Advertising research	44	26	12	16
Marketing information systems	31	36	7	21
Environmental scanning	30	35	23	28
Sales forecasting	12	33	2	21
Sales analysis	12	32	2	18

[1]Based on information provided by 293 multibusiness manufacturing companies.

Table 22: Primary Corporate Role of "Business Research and Analysis" Activities When Conducted at the Corporate Level by Companies Having a Corporate Marketing-Research Unit[1]

Corporate-level Activity	Base Number of Companies	Percentage of Companies Reporting the Primary Role(s) of Such Activity Existing at the Corporate Level to Be: Actually Performing a Centralized Service for the Company and/or Operating Units	Providing an Advisory or Consulting Service to Corporate Management	Providing an Advisory or Consulting Service to Operating Units	Controlling or Monitoring Performance of Activity Actually Carried Out Within Operating Units
Economic research	89	76%	35%	18%	8%
Research on markets	88	80	35	34	13
Research on competitors	81	69	38	40	12
Advertising research	71	75	18	30	10
Marketing information systems	68	78	21	21	12
Environmental scanning	66	68	32	20	15
Sales forecasting	46	59	33	26	17
Sales analysis	45	56	33	22	11

[1]Based on information provided by 102 multibusiness manufacturing companies having a formally organized corporate marketing-research unit.

Advertising research is a highly specialized activity. In companies with a corporate marketing-research department, a relatively high 44 percent conduct their advertising research exclusively at the corporate level, usually as a centralized service. However, actual responsibility for such research is sometimes that of researchers positioned within the corporate advertising department.

Rationale for Location

Whatever the actual practices of their own companies, there is widespread agreement among the senior executives taking part in The Conference Board's survey regarding the pros and cons of a marketing-research capability at the corporate level. Indeed, the ease with which they marshal the arguments suggests that this may be a familiar issue.[2] (See the boxed comments on pages 36-39.)

Advantages of a Corporate Location

The stated advantages of having a corporate marketing-research department can be condensed to a number of highly interrelated points. One is the added objectivity which is said to come from being a step removed from the hurly-burly of marketing and sales operations. At the headquarters level, there is more likely to be, in the words of a textile executive, "a lack of rose-colored glasses." And corporate units, it is many times repeated, can afford to take an independent stance and "call 'em as they see 'em"—even at the risk of some unpopularity. Coupled with this claimed objectivity is a potential breadth of perspective—an ability to "see the big picture" and the company's market situation viewed as a whole. (One executive points out that having this perspective is especially valuable when there is no corporate marketing head.)

There are also desirable economic advantages to concentrating specialized research experience and skills in a corporate-level marketing-research department, as well as cost savings obtainable from its centralized efficiencies and purchasing power. Opportunities exist, too, for avoiding duplication and gaining synergy in the research effort.

The high visibility and standing of a corporate marketing-research department is said, moreover, to help in attracting well-qualified people, including researchers trained in specialized areas, with resulting benefits from the professional interaction that comes through a sharing and development of research ideas and techniques. There is also more likelihood that such a centralized unit will undertake relatively basic research on marketing issues that transcend current problems faced by operating unit managements.

In the opinion of some executives, a corporate department also offers the possibility for setting research priorities and imposing research standards throughout the company. In the absence of a corporate department, some smaller divisions may not do needed research; others may have difficulty in smoothing the peaks and valleys of their research requirements; and the professional quality of the research within and among divisions may lack consistency.

Finally, a few executives in companies where marketing research is directly linked to the corporate planning depart-

[2]In at least one large industrial company, a reevaluation of whether to establish a corporate research unit is conducted every year; the decision up to now has always been negative.

The "Marketing" of Corporate Marketing Research at DuPont

A DuPont spokesman describes the rationale for management's decision to have a corporate marketing-research unit and to have the unit charge for its services:

"The main advantage of having a central marketing-research function is the ability to assemble a highly professional staff with substantial expertise in a wide variety of areas. The group is large enough to go beyond the critical mass necessary to sustain such an organization. In recent years, the higher quality of the corporate function has caused two departments to shift responsibility for their marketing research from a departmental unit to the corporate unit.

"The corporate organization is better able to absorb shifting demands for marketing research. In one case, a department reduced its efforts very substantially due to a reduction in the amount of business effort calling for heavy use of marketing research. The corporate organization was able to absorb this decrease without a ripple, whereas an operating-level organization would have been severely strained under these conditions.

"The corporate marketing-research function is financed almost entirely by 'marketing' its services to the operating departments. The operating departments, on the other hand, have no obligation to buy those services. They are free to set them up internally, buy from the corporate organization, or buy outside the company; and, in various places in the company, all three are done. The prices charged by the corporate marketing-research function reflect the full overhead of the corporation; therefore, the prices are comparable to those of outside consulting firms.

"This kind of structure forces the corporate organization to be much more sensitive to the needs of the operating departments. If, at any time, the corporate organization fails to provide services that are valued by the operating departments sufficiently to pay its price, it will gradually diminish in size and ultimately go out of existence.

"There are a number of disadvantages to a corporate marketing-research function. The function cannot know as much about the details of an individual business as if it were within that business. Hence, the corporate organization must work closely with its clients to tap their more extensive knowledge about their products and the characteristics of some of their markets.

"As marketing and marketing research become more important and better recognized within the company, there is a distinct possibility that there may be more decentralization. In recent years, a number of operating divisions and departments have designated marketing-research coordinators and, in some cases, small groups. This trend may continue in the future."

ment make the claim that a corporate function has proved valuable in providing "more sophisticated marketing analysis as an aid to planning." In several companies, the corporate marketing-research department reportedly has become a cherished information source and virtual "think-tank" on many business topics for executives of diverse ranks and functions—sometimes all the way up to the board of directors.

Disadvantages and Caveats

There is a chorus of general agreement, too, about the potential advantages of locating marketing-research activities within a company's divisions or other operating units which tend, when put in either-or terms, to represent the flip side (or the disadvantages) of an exclusively corporate role for such research.

Three associated problems are frequently mentioned:

- When marketing research in a large, multibusiness company is positioned *only* at the corporate level, a common concern is that it may be too far removed from the firing line where marketing battles and sales skimishes are being fought day by day. In contrast, marketing researchers in the operating units are judged to be "close to the action," and thus able more quickly to draw a bead on emerging trends or a competitors' potential market action.
- Moreover, the long line of communications between marketing researchers at corporate headquarters and their clients in the company's operating units can become tenuous, stretched to the point where desirably close interaction can be impeded by bureaucratic formalities and misunderstandings. Again, it is claimed that divisional researchers, in contrast, become "part of the team," working in intimate symbiosis with product managers and others who lean on research findings for guidance.
- It is further argued that, to the extent that corporate researchers are forced to investigate a broad range of products and markets, there is danger that their comprehension of any of these may be shallow, incomplete or outdated. On the other hand, researchers positioned in a company's operating units can "keep their fingers on the pulse of the marketplace." With a deeper and more accurate knowledge of the limited range of products and markets served in each case, they may be able to move faster in custom-tailoring research to current need, with a minimum of delay in "start-up time."

As for the neutrality issue, a divisional marketing vice president in a medical equipment company recalls "the old argument that marketing research should report at the highest possible level, so as to avoid the natural biases im-

Centralized Marketing Research at a Food Products Company

A spokesman for a food products company describes the rationale for its marketing-research organization as follows:

"The development of effective and continuous interaction between marketing research and strategic planning is not easily achieved. We have found that both organization and the way in which key positions are structured are critical to success.

"The company's centralized marketing-research department is structured to facilitate the linkage with strategic planning. Corporate strategic planning and marketing services are two elements of the headquarters planning and research function. Three marketing-research directors—for corporate marketing research and for our two product groups—report to the head of marketing services. Organizational characteristics enhancing that linkage between research and planning include these:

"(1) The director of corporate marketing research has primary responsibility for interacting with strategic planning.

"(2) Experience told us that it would be unrealistic to ask the two directors of research for the two groups to maintain formal ties with corporate strategic planning. The majority of their day-to-day activity is for marketing and brand management, and it is important that this focus be retained.

"(3) So we have charged the corporate research director with responsibility for staying up-to-date with activities in both groups in order to be able to draw on information already available within the company to meet the needs of planning and, of course, to gather new information where appropriate.

"The corporate research director's role is a difficult one to execute well. The individual must have extensive research experience and technical skills, as well as a psychological predisposition to live with relatively unstructured assignments—a characteristic not required for the majority of marketing-research assignments.

"Specifically, the incumbent must understand strategic-planning processes and procedures. This can be accomplished, in part, by attending planning staff meetings and conferences, analyzing and evaluating strategic plans, and so on. He or she must become a contributing member of the planning team.

"In addition, in order to provide meaningful inputs to executive decisions, it is essential to have some understanding of the perspective and role of general management. This requires insight into the decision-making process at the top of a company, as well as an understanding of the ways in which inputs must be packaged to influence decisions. Finally, an individual who is successful in this 'bridging' role must be comfortable dealing with issues for which there may be no 'right' or 'wrong' answers."

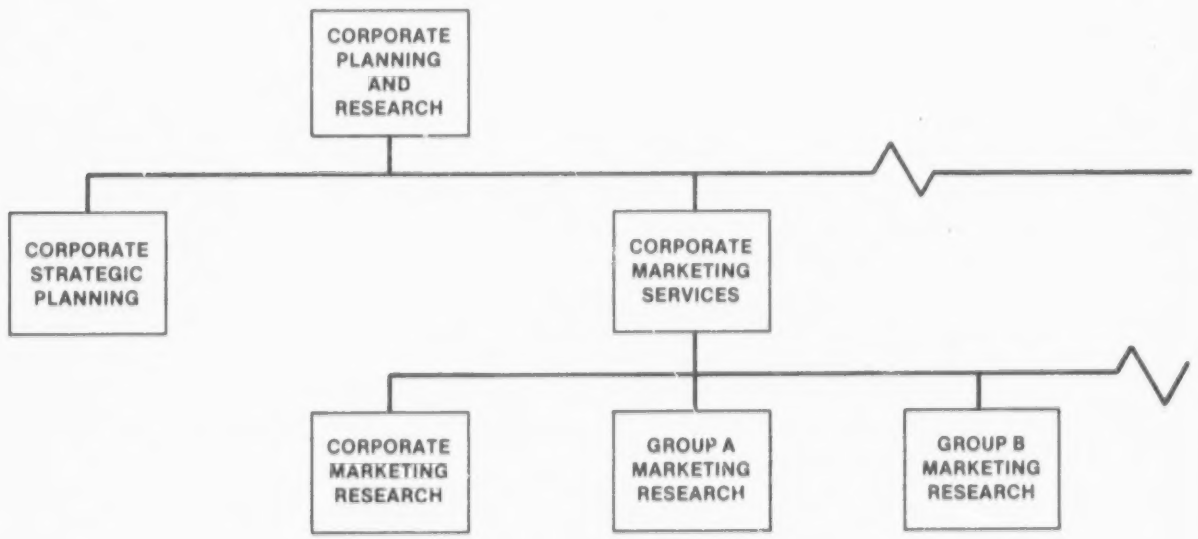


Exhibit 5: Position Guide, Corporate Director of Marketing Research, a Large Consumer Products Manufacturer

PURPOSE

Provide guidance and leadership in directing the corporation's marketing research toward reduction of risk in decision making and greater impact on corporate profits.

ACCOUNTABILITIES

1. Professionally monitor, appraise, and lead in the improvement of the effectiveness and usefulness of marketing research at the company.
   a. Review all the company's use of marketing research.
   b. Recommend appropriate improvements in marketing research procedures, policies, and organization structure.
   c. Ensure communication within all areas of Marketing Research and between Marketing Research and Marketing.
   d. Provide counsel to executive management on marketing problems, including the use and strategic implications of marketing research.
2. Develop and direct an appropriate corporate marketing research capability.
   a. Ensure the company's leadership in the development and implementation of more useful marketing research techniques.
      1) Identify marketing research areas requiring improvement, recommend appropriate marketing research, secure funding, and conduct and communicate the appropriate marketing research findings.
      2) Keep abreast of external developments which may be useful to the company.
      3) Accumulate and disseminate the growing body of knowledge from marketing research.
      4) Recommend and secure agreement on technique standardization where appropriate.
   b. Manage the internal marketing research implementation organization, ensuring that this organization zero-balances and remains competitive with outside organizations. This organization permits:
      1) Implementation of proprietary company technicians.
      2) A standard of comparison for outside research organizations.
      3) A training facility for new researchers.
   c. Identify and implement marketing research functions best executed centrally, including, but not limited to, quality control, marketing research knowledge accumulation and dissemination, and claims substantiation research.
3. Support and increase the effectiveness of decentralized marketing research units throughout the company by:
   a. Counseling on managerial, technical, and organizational problems.
   b. Providing specialized technical support research capabilities.
   c. Personnel recruiting, development, transfer, and promotion.
   d. Providing input on business and professional matters.
4. Aggressively seek opportunities to broaden the value of marketing research throughout the company by:
   a. Counsel in the design and interpretation of marketing research for management.
   b. Corporate-wide communication of strategic marketing research findings.
   c. Identification and fulfillment of marketing research needs of units which do not have marketing research staffs, including Marketing Services, corporate staff activities, and decentralized business units.
   d. Periodically meet with General Managers and Group Vice Presidents to ensure that their

Exhibit 5: Position Guide, Corporate Director of Marketing Research, a Large Consumer Products Manufacturer (continued)

priorities, issues, problems, and opportunities are fully represented in Division and Group research activities.

5. Act as research director for [one major unit].
   a. Independently analyze and, where appropriate, conduct research used to evaluate acquisition candidates.
   b. Independently review research used in Management Clearance Letters for new-product test markets and national roll-outs.
   c. Conduct research appropriate to development and evaluation of Group strategy.
   d. Propose, conduct, and communicate marketing research which cuts across Divisional and Group lines.
6. Professionally represent the company externally by:
   a. Participating in appropriate professional activities.
   b. Reviewing or conducting all marketing research for external use.

RELATIONSHIPS

The incumbent reports to the Vice President & Director of Marketing Services. Principal working relationships include the heads and marketing/marketing research staffs of the various operating divisions, the various corporate staff departments, and divisional and corporate general management.

This position also establishes and maintains relationships outside the company with marketing research agencies offering continuing and specialized services, research departments of the company's advertising agencies, professional associations, educational institutions, advertising media, and governmental agencies.

posed by conflict of interests, that is, a need to avoid proving your boss wrong." He goes on to say: "My feeling is that this philosophy assumes a rather abrasive management style. In an open and participative organization, this fear should not exist and, therefore, the bias should not exist." And he personally favors locating marketing research in operating units on the basis that it is there that "the benefits are most accessible."

There is yet another objection to conducting certain aspects of marketing research at the corporate level that is not a research-related issue at all. It is raised by those who strongly oppose any corporate-level activity that would, in their view, dilute the total responsibility of divisional managers for the profit-and-loss performance of their operations. For some, this consideration alone—irrespective of any balancing of other pros and cons—should govern the decision as to where to locate staff for research on products and markets.

While advocates of corporate-level marketing research dismiss this last assertion as too sweeping, some nevertheless concede certain drawbacks to the positioning of research *solely* at the corporate level. These include "the funding formality of a corporate project, which tends to inhibit use of research by the divisions"; possible "difficulty in getting the divisions to use the information furnished to them"; and regret that, in the nature of things, corporate researchers are sometimes viewed as gumshoe intruders in the operating area.

The Case for Split-level Research

Given the cogency of many arguments both for and against having marketing research exclusively at the corporate level, it is small wonder that company managements frequently opt for a split-level approach.

Considering just the activities covered by "research on markets"—which, traditionally, is one of the major tasks of marketing research—it is noteworthy (as was shown in Table 13 on page 21) that such research on markets is conducted *only* at the corporate level by 13 percent of the companies, and *only* at the operating unit level by double this percentage. Thus, most managements have chosen to position this kind of research activity, at least to some extent, at two or even three organizational levels. The resulting duplicated locations sum to 57 percent of the companies with research functions at the corporate level and 76 percent at the operating-unit level. By splitting research on markets in this way, managements aim for the best of both worlds, which some say they have accomplished.

For example, a senior marketing executive for a diversified equipment manufacturer speaks for several survey participants when he explains:

"We conduct market research at both the corporate and strategic business unit levels. *There is a demand and place for both.* Market research in the units concentrates on focused studies relating to current products and markets.

Executives Weigh Pros and Cons of Locating Marketing Research at the Corporate Level

Advantages	Disadvantages
"• It is a full-time professional function. • Some units are too small to utilize a full-time analyst. analyst. • Less costly—avoids duplication of facilities (e.g., library). • Improved quality control, objectivity. Better access to other corporate services."	"• More difficult for marketing research to become ongoing member of the team. • Less firsthand knowledge of the units' products, people, problems and goals. As the company grows, we may see more decentralization of marketing research."
—A metals company	
• • •	
"• Assures proper selection of priorities. • Centralization can control the numbers of people people in the activity. • Easy to determine expenses on market research. • Better supervision of professional activities."	"• Difficult to handle the span of projects. • Always defending on the 'outside.' • Constantly requesting funds for projects from people who have short-range interests."
—A packaged foods company	
• • •	
"• Can hire better-quality people. • Researchers can be more objective about division-related studies. • Can maintain a smaller overall number of people doing research. • Closer contact with top management."	"• Researchers are often viewed as 'outsiders' by division people. • Division and group priorities may be different, resulting in complaints of lack of services. • Loss of 'feel' for small local markets by researchers."
—A construction materials company	
• • •	
"• Broader perspective • Less influenced by marketing management. • Less influenced by day-to-day marketing problems."	"• Distrusted by line marketing management. • Considered too theoretical. • Weaker lines of communication with field marketing, resulting in poorer commrcial intelligence."
—A minerals company	
• • •	
"• Consistency of research approach. • Avoids duplication of effort. • Career paths are clear, and substantial opportunities exist. • Major data, information and experience bases are centralized."	"• Use of more research or more powerful research than the problem requires. • Some lessened allegiance to business divisions."
—A diversified food company	
• • •	
"• Being centralized is cost effective and reduces duplication. • Timely reporting of data to top management. • Can communicate easily to operations."	"• Spreads the staff very thinly. • Not able to specialize or dig deeply into any one set of data. • Somewhat removed from the operational units' needs. • May collect unnecessary data."
—A manufacturer of transport equipment	

"• More objectivity.
• Better understanding of the interrelationships among all company markets and products.
• Savings in expense."

"• Lack of interaction as a player on the divisional team.
• Difficulty in assigning priorities when several divisions want priority for their projects."

—A textiles firm

• • •

"• Gives us a clearer understanding of the usage relationships among all of the company's products, and the market segments where they are utilized."

"• Does not give us as much in-depth knowledge about the individual product lines as would be obtained by a divisionalized market—research organization. Longer range, we will probably have market research activities at both levels—corporate personnel looking at major new products-market opportunities, while the division people will focus on opportunities (and threats) related to our existing products."

—A manufacturer of electronics products

Corporate market research should (1) examine market and product areas new to the corporation; (2) assist corporate R&D in market and product-related analysis; and (3) provide coverage for units that are too small to be in a position to afford their own market-research capability."

For obvious reasons, jurisdictional lines between corporate research and operating-unit research are likely to be drawn in such a way as to try to maximize the advantages on either side. For many firms, this means leaving the investigation of specific, short-term marketing matters to the operating units, while corporate projects deal with such issues as longer-term prospects for market development, especially in markets common to two or more divisions; new business ventures that fall between or beyond the areas served by present businesses; innovations in research techniques; possibilities for companywide standardization of research methods and criteria; and secondary research into governmental, competitive and other external factors affecting overall market trends and position. For one company in the computer field, the key distinction is between *strategic* marketing research to be undertaken at the headquarters level, and *tactical* marketing research left to its operating units.

Given a split-level approach, it is the corporate research head who outranks the rest of the company's research professionals. Just what this means in practical terms depends partly on personalities and internal patterns of influence. In a typical arrangement, marketing researchers within an operating unit report administratively to a marketing director or some other manager in that unit. But they may also have a continuing dotted-line relationship to a corporate-level department, a relationship that can vary greatly in the degree of its formality. The dotted line in a particular case may even be painted out from time to time, and then later painted in again. It is said that, ideally, a shared professionalism allows the corporate research head to act as consultant when approached for advice; to proffer occasional unasked-for advice; and to act as the clearinghouse on research-related issues that touch a number of people and units within the corporation.

Location at the Group Level

Companies whose operating units are organized into groups have still another option in locating such staff functions as marketing research. Given the summations on pages 36 and 38 on factors influencing the positioning of marketing research, the group level may be seen as providing good seating for a compromise.

It might be imagined that when marketing research is located *only* within groups, it is perhaps ill-placed to service general corporate management, or to make such other companywide research contributions as may be needed. But that turns out to be not necessarily so. In practice, one of a company's several groups—by reason of its large size or its heavy reliance on marketing research—will not infrequently become recognized as "first among others" in terms of research sophistication or leadership. The marketing-research head of this group may then play a role nearly equivalent to that of a corporate research head. (When marketing research is conducted at the group level, provision for research at any other level, is more likely to be in a company's operating units than at its corporate headquarters.)

Executives Weigh Pros and Cons of Locating Marketing Research at the Operating Unit Level

Advantages	Disadvantages
"• Closer to markets and customers for specific product groups. • Short lines of communication between marketing and general management."	"• Too narrow a view of markets and trends. • Tendency for short-term activities. • Manpower and computer resources not adequate. • Likelihood that research manager would not have broad expertise."

—An auto parts company

* * *

"• More open communications—marketing research is not seen as 'the corporate spy.' • Faster reaction time. • More knowledgeable of the unit's products and customers."	"• Possibility for less objectivity. • Research skills may atrophy. • Less opportunity to develop career researchers. • Less opportunity for load leveling."

—A chemicals company

* * *

"• Research is operationally oriented. • Timing is appropriate to current problems."	"• Scope is often short-range, rather than strategic. • Resources are not available to do in-depth or broad-range projects that might have future payout."

—A diversified industrial company

* * *

"• Priorities are controlled by the unit. • Better unit project control due to diverse geographic locations. • Better interaction with the units' planning groups. • More direct accountability."	"• Lack of corporate overview. • Remote, minimal (and, in some instances, unqualified) research talent at local level. • Lack of objectivity. • Short-term orientation. • Redundancy of efforts (approximately 25 percent)."

—A components company

* * *

"• Marketing researchers have their fingers on the pulse of the operation. The majority of product knowledge and customer contact is located at at this organizational level."	"• They may be doing some research that has already been completed by other operating units. Coordination of effort is important."

—An equipment manufacturer

* * *

"• Decentralization forces the activity closer to the customer. • Research projects and results are more action oriented with division decision makers. • Project budgeting can be more tightly controlled at division level."	"• May not be staffed appropriately at division level (e.g., no full-time research responsibility; or designated head of research may have been formally trained in some other discipline)."

—An electrical products company

"• Marketing plans and strategies are developed as close to the customers' needs as possible. This means quicker, better decision making on plans, and more effective execution due to *participation* of all concerned at lowest possible organizational level."

"• Perhaps some overlap and duplication of effort, but the plusses far outweigh this."

—A mining equipment producer

. . .

"• Proximity to—and knowledge of—relevant markets."

"• Lack of objectivity—and sometimes an actual 'coloring' of the research results by manipulating the definitions of relevant served markets and relevant competitors. (We shall probably strengthen our corporate market research capability, so that it can act as a 'validity check' on division reports that imply major capital or strategic commitments.)"

—An engineering and machinery company

Here are some illustrations of how the positioning of marketing research at the group level has worked out in reality:

• A chemical company's management has chosen to establish marketing-research functions at both the group and operating-division levels. Its group-level researchers now engage in several kinds of activities that would typically be found at the corporate level in other firms. For example, they conduct studies of broad scope, develop promising research tools, methods and procedures, and provide "quality assurance" for market surveys conducted in the divisions.

• For a construction materials producer, which has just two group entities, a presumably unintended effect followed a decision to shift the marketing-research function from the corporate level into the company's more important group. A company source states that management in the second group, which is no longer served by corporate staff, now seems convinced that it no longer needs any marketing-research assistance.

• In a packaged-goods company, a group-level research department is reportedly experiencing such heavy demand from both corporate and international management that the department's head now believes that everyone's research needs could be served better if the group department were to be relocated to the corporate level.

• At a large food products company, marketing-research activities that might normally be considered corporate in nature are administratively located within the major group. Explains a company executive: "These group facilities serve as corporate resources—as needed and requested by either corporate management or operating units in other groups." Their role, he adds, is "advisory consulting" on a voluntary basis.

• A rubber company's management has, as a matter of policy, "pushed down" marketing and marketing-research activities into its groups. A spokesman echoes the observations of some others in suggesting that researchers within groups, as compared with those that might be based at corporate headquarters, are able to gain closer familiarity with the product situations of businesses in their groups and to "stay in tune" with the research needs of each. A disadvantage, as he sees it, is that "with smaller groups it is more difficult to attract and promote research specialists."

• Further arguments concerning corporate versus operating-unit location for research staff come from a chemicals producer, where marketing-research functions also are positioned primarily at the group level. The main advantage has proved to be "efficiencies in organization and research expertise." The main disadvantage is uncertainty that a centralized function will service all operating units in a manner satisfactory to those units.

Chapter 5
Organizational Trends

ACCUMULATING FORCES in recent years have caused most multibusiness manufacturers to modify the extent to which they conduct marketing-related activities at the corporate level. As suggested at earlier points throughout this report—and in the sampling of managements' comments on such developments which appears on page 41—the most common of these organizational influences have been an increase in the size, scope and complexity of a company's operations; a move toward greater diversification, divisionalization and decentralization of operations; and, in some cases, massive cost-reduction programs in seasons of severe business adversity, during which fundamental questions may have been raised about the burden of overhead expense incurred in the maintenance of centralized staff functions.

The net outcome, in terms of any resulting organizational change, has yet to be resolved by some managements. In the case of an electrical equipment manufacturer, for example: "The corporation is currently in a state of flux related to decentralization issues. Caught up in the midst of these is marketing. Whether to maintain highly centralized control, or to lose all or a portion to emerging operating units, is a central issue being 'wrassled' with."

Potential Decentralizing Forces

With greater frequency, manufacturing company managements have been yielding over a span of several years to pressures that, for them at least, argue for a reduction in marketing activities at company headquarters—with effects described in this and earlier chapters. For many, acceptance of the merits of a general decentralizing of responsibility to the operating level has provided additional grounds for such action. A widely shared view is that of one chief executive who has been quoted as saying: "In any organization, I believe you should go as far as you can in pushing responsibility downward. The headquarters operation should essentially consist of people who conceptualize ideas, who provide general direction, who audit the results—and that's it."[1] One estimate is that, among the 500 largest industrial companies, the proportion using decentralized management grew from 20 percent in 1950 to 80 percent in 1970.[2] And it has undoubtedly increased still further since then.

Given the primary influences—both philosophical and practical—that bear on the question, it is reasonable to assume that continuing temptations for a greater decentralization of marketing activities in the future will be strongest in situations such as these:

- Where senior management is moving the company toward further diversification into areas having little or no relatedness to its present complement of businesses.
- Where new growth leads to added organizational complexities and to a further proliferation of the company's operating components.
- Where senior management makes no attempt to integrate newly acquired businesses into the company's existing corporate structure.
- Where senior management's predilection, in viewing the company's diverse elements, is to focus primarily on financial results and assets management.
- Where a company's principal sources of strength, efficiency and momentum include only slight elements of marketing.
- Where senior management holds strong convictions about the desirability of decentralizing as much responsibiity as possible to the company's operating units.
- Where the urgency of cost reduction becomes strong enough to make tempting a major cutback in corporate staff.

[1]Zoltan Merszei, vice chairman, Occidental Petroleum Corporation, quoted in *Chemical Week*, August 18, 1982.

[2]Robert H. Waterman, quoted in *Chemical Week*, May 19, 1982. The surge in decentralized management parallels a growth in the relative number of multibusiness companies in this size category.

A Sampling of Comments on Changes Affecting the Corporate Marketing Configuration

"A gradual decentralization of marketing activities has occurred as a result of the transition from a company centrally run and controlled from a corporate headquarters to a divisionalized structure and profit-centered organization.

"Divisionalization was due to sheer growth and the increased complexity of an expanding product line, as well as the global expansion of the company's activities."

—A producer of materials handling equipment

• • •

"Until 1981, we were basically a single-business company with a corporate marketing function. The company was then restructured into separate organizational units, with each division having responsibility for its own profitability—including responsibility for its own marketing activities."

—A packaged foods company

• • •

"Our company has attempted to push profit responsibilities down further into the organization. Therefore, each major group has its own marketing-related activities and has total responsibility in this area, with an overriding need to coordinate with other groups.

"These changes were made because of the growth of the business, the complexity of the business, and the fact that changes occur more frequently in today's economy. Therefore, greater specialization in the markets we serve became necessary."

—An industrial products firm

• • •

"There has been a reduction in corporate staff in all areas, including marketing-related. The reasons were a slow economy, and a general feeling that corporate marketing and planning staff were too theoretical and not much help at the division level. The company's new president has a strong line on decentralization philosophy."

—A consumer equipment manufacturer

• • •

"Although group marketing executives are physically located at the corporate office, marketing-related activities are conducted at the group level. The most significant change that occurred at the group level in recent years was the appointment of vice presidents for marketing. The major purpose was to better organize all marketing disciplines under the control and direction of one person within each group."

—A building materials and equipment company

• • •

"Changes include:

"• Stronger emphasis on asset leveraging—cross-division utilization of marketing channel strengths, increased interdivisional transfers of products; more effective use of corporate-owned truck fleet (i.e., one division's product out, another division's raw materials, parts, or products back); distribution centers shared among divisions.

"• Combining smaller divisions with larger divisions where channel and product and technology synergisms exist.

"• Joint research facilities for new product development shared by those divisions with similar technological interests.

"• Improved corporate-based key account coverage (large mass merchandisers, OEM's industrial distributors, etc.)."

—An electrical products company

• • •

"We moved from profit-center management to SBU management three years ago, with the appointment of SBU managers who are group vice presidents with worldwide responsibilities. Marketing-related activities generally are carried out at the divisional level. The group VP's or SBU managers perform a coordinating—but very active—role."

—A manufacturer of hydraulic equipment

• • •

"We moved to an SBU management concept to identify separate business units. These are operated virtually as separate businesses, with the marketing-related activities of each SBU's 'monitored' through corporate group presidents."

—A medical products company

• • •

"There has been more emphasis (and success) in marshalling companywide skills and experience in addressing particular marketing problems and opportunities. Leadership and coordination for this activity are provided through the corporate marketing committee which consists of representatives from operating divisions and the corporate marketing staff."

—A producer of packaging materials

• • •

"Corporate marketing services was established to centralize in one organizational level the provision of professional skills in marketing research and advertising (i.e., media) services. The organization evolved, within an otherwise totally decentralized corporate structure, because of recognition of the inability of the company to attract and retain quality staff professionals within the line management structure."

—A food company

• • •

"Experiments with a corporate marketing executive, tried in 1969-1971 and again in 1976-1977, failed because marketing was deemed a line function which needed to be controlled locally under the CEO of each subsidiary. Even meaningful market research conducted at the corporate level was attacked by managers in the subsidiaries, who wanted this responsibility to be theirs."

—A diversified industrial company

• • •

"Corporate functions do not include marketing in our company. However, over the last four years we have done a good deal of consolidation of smaller operating units into larger ones based on market criteria. Essentially this evolution of groups has paralleled the usage of 'strategic business units' in planning our overall direction. While 'marketing' is an operational function, strategic planning tends to reside at the corporate level."

—A producer of specialized equipment

Potential Recentralizing Forces

On the other hand, the findings of the present research demonstrate that there can be no single answer applicable to all firms to the question posed at the beginning of this report: "What marketing activities and personnel, if any, should be located at the corporate level?" And there is evidence that the strategies and inclinations of at least some managements are moving their companies in different directions than those just mentioned, with one possible outcome being greater interest in high-level marketing direction and support. Their experiences, moreover, serve as reminders that, in each case, it is the set of circumstances facing management at a particular time that appropriately defines the logic of its choice.

For one thing, reports in the business press confirm a growing reticence on the part of senior management in a number of large firms to move their companies any further into areas that are totally unrelated to their present businesses. For another, such reluctance is sometimes translated into formal steps to move a company away from relative conglomeration to a more "agglomerate" status. This may be expressed in two ways. One is through a judicious combining of operating units into a smaller number of clusters, often on the basis of a similarity or sharing of markets. Another way is by selective divestment of operating units that have proved an awkward fit with the company's charter or dominant strengths. Either way, the result in some situations is to make a recentralization of marketing—at group or corporate levels, or at both—seem more desirable and feasible than before.

In other cases, ironically, it is the move of a company toward even greater diversification, which might conceivably have been expected to have the opposite effect, that is instead beginning to push it in the direction of increasing the concentration of marketing staff activities at higher organizational levels. "As a result of significant growth through acquisitions," reports a producer of specialty chemicals, "many marketing-related activities of the company's operating units were overlapping. Therefore, a 'corporate marketing coordination and development' function was recently established. This staff function, reporting to the chief executive officer, coordinates marketing-related activities that are inherent to more than one unit. Additionally, a corporate export department is coordinating almost all export activities of the company, which were previously handled directly by the operating units."

The new centralized requirements of an electrical components manufacturer are justified on only slightly different grounds:

"A wide diversification of the company into many products and businesses has resulted in the need for a corporate overview of its marketing-related activities. This involves the injection of a corporate image, a corporate theme and corporate policies into the various marketing and promotional programs, as well as the monitoring of divisional and subsidiary marketing activities to ensure that corporate philosophy is followed and implemented. Thus, information and procedures are maximized for use at all levels of the corporation. There is recognition that, despite our various operating units, many of the business activities are common to similar markets, and marketing strategies thus need a total corporate overview."

Still other managements explain their growing needs and possibilities for corporate marketing reinforcement in other ways. For a rubber company, for example, "The increasing regulation of business since the mid-1960's, and the potentially large penalties for even inadvertent violations, have provided the motivation for much stronger centralized control of merchandising, advertising, pricing and the like. During this same period, extraordinary technological advances in electronic data processing and communications have made it possible to effectively achieve the stronger central control desired."

There are signs, too, that when a company reaches a critical point in its evolution, its management may begin to perceive a need for exceptional marketing strengths and savvy not presently at hand, which can also lead to recentralizing marketing organization. This has been observably the case for several manufacturers of highly technical products—such as equipment and components in the computer and communications fields—whose primary challenges have suddenly become marketing ones after periods during which technological gains could be counted on to ensure market success. (Among the companies participating in this study, an above-average percentage of those clearly deserving the appellation "high-tech" now have a corporate chief marketing executive.) In a related kind of situation, managements overseeing highly diversified operations have, in some cases, also acted to ensure increased centralized marketing guidance when, after long pursuing a virtual "hands-off" policy in dealing with decentralized business units, they have increasingly found the latest mistakes and impending dangers for such units to be mainly marketing in character. Often, an accompanying theme at such a time reflects management insistence on a "back to basics" approach in dealing with its external problems.

What is usually most troublesome in the outside world, of course, is the competition. The professional marketer has to be especially sensitive to competitive threats and opportunities confronting the company in the marketplace. Marketing may, therefore, also get a boost in senior management circles as new urgency is attached to what is potentially a suitable marketing role—the "management of competitive advantage," defined by one writer as "a process of identifying, developing, and taking advantage of enclaves in which a tangible and preservable business advantage can be achieved."[1] There are indications that this

[1]Stephen E. South, "Cornerstones of Strategic Thinking." *The Journal of Business Strategy*, Spring, 1981.

critical aspect of strategy may soon be getting a great deal more attention.

Of possible future relevance, too, may be the findings of one observer who, after interviewing a sample of chief executives in large U.S. corporations, reported their virtual unanimity in regarding marketing as a critical strategic function in their companies.[4] Hence, new or renewed interest in corporate marketing possibilities is sometimes the outgrowth of a chief executive's disappointment with a lack of strategic marketing thinking in the company, with the inability of planning and other high-echelon functions to substitute effectively for a genuine marketing presence and mind-set at company headquarters, or with the ineffective implementation of paper plans for strengthening market position. Another survey of 250 senior officers in large corporations puts the same issues in more positive terms: These officers reportedly want and expect their strategic planning to be more closely geared hereafter to marketing.[5] Organizational adjustments, already noted, by which some firms participating in the present study have sought to accomplish this include giving the chief planning post to an experienced marketer; combining the top marketing and planning roles into a single staff position; or else establishing (or reestablishing) a strong marketing staff head to balance and work alongside the corporate planning unit.

Emerging developments in marketing orientation and marketing organization within several large companies demonstrate, in varying degrees and in various ways, the potential impact of forces similar to many of those just described. In the case of one multidivisional firm in a "high tech" industry, for example, a vice president of marketing had been positioned at the headquarters staff level in the early 1960's, with support functions under his jurisdiction that included a corporate marketing research department. Much of the work of the vice president and the research unit in this earlier period was directed toward building up the marketing capabilities of the company's operating divisions. In time, the vice president of marketing traded that title for one that designated him instead as head of corporate planning; and the marketing research department was gradually transformed into a unit responsible primarily for economic analysis and forecasting.

After a long absence, marketing was eventually reintroduced on the corporate-level organization chart. By the late 1970's, in a highly competitive period for the company, top management began to put new emphasis on strengthening its marketing efforts as a means of bolstering market share and profitability. By the 1980's, the top marketing post was raised in rank to that of senior vice president. One reason given by the company's CEO for placing even greater stress thereafter on marketing was to give marketing balance to the planning and carrying out of strategic programs.

One Company's Organizational Adjustments

For one large industrial equipment producer, recent changes affecting corporate marketing organization have resulted in (1) transfer of marketing activities formerly conducted at the corporate level to the operations level; and (2) the initiation of new types of activities at the corporate level. A company spokesman explains:

"To augment the product, sales and advertising-related activities conducted at the operations level, corporate staffs developed the conceptual framework for market segmentation and the analysis of growth potential by segment. Several studies were completed. The appropriate product-market combinations for establishing strategic business units (SBU's) were identified and periodically reviewed. Finally, studies were initiated to identify the key influences prompting capital equipment purchase decisions in our markets.

"The intent was to stimulate operations-level activities of this type, and the transfer of responsibility coincided with the disbanding of corporate marketing. However, certain other elements of the marketing function were integrated into corporate staff accountabilities. Strategy-related issues such as those dealing with industry structure, market attractiveness, and so forth, have become a formal part of the staff review process. The development of long-run, quantitative sales forecasting models has been initiated. The compilation of unit-based, long-run data on financial planning and sales volume has become a corporate staff responsibility. Increased acquisition and divestiture activity has resulted in increased staff participation in the marketing-related elements of such processes.

"In summary, those marketing-related activities specific to given product markets have moved to operations. On the other hand, those activities related to overall business definition and control have increasingly become a corporate-level staff duty. To some extent these changes came about because of the intent that corporate staffs act as an educational influence on the organization. Also, the changes coincided with a new top management's organizational and information requirements. Finally, the company's current position dictates centralization of control and associated information."

[4] Frederick E. Webster, Jr., *Top Management Views of the Marketing Function*, Report No. 80-108. Marketing Science Institute, Cambridge, Mass.: 1980, page 27. (It may be noteworthy that a number of the 30 companies sampled are known *not* to have a corporate chief marketing executive, and also not to have very many marketing activities located at the corporate level.)

[5] *Business Planning in the Eighties: The New Competitiveness of American Corporations*, a joint survey by Yankelovich, Skelly & White, Inc., and Coopers & Lybrand, 1983. One need identified by the survey's sponsors is "to shift planning techniques and process away from canned approaches and theories and towards customized designs, with the development and implementation of competitive marketing strategy acting as the driving force." Another is "to recognize the difficulty of identifying appropriate, relevant, and cost-effective marketing strategies, and the length of time and amount of money required to develop effective marketing organizations."

The experiences of two other large companies—Beatrice and General Electric—are similarly illustrative of renewed attention now being paid to marketing.

Beatrice

A giant producer of foods and consumer products, Beatrice had, until recently, 435 profit centers in 54 groups. A group head used to report to one of five executive vice presidents, each of whom had a "marketing coordinator" to assist the group's profit centers with their marketing programs.

Corporate marketing functions were virtually nonexistent, a situation perhaps not unexpected in a company once described as having "a religious devotion to decentralization." As recently as 1982, the chief executive of Beatrice had explained, "We constantly review whether we need a corporate marketing department, but we've not made a decision." In then declaring his aim to turn Beatrice into a "premier marketer," he conceded that many of the company's small profit centers were too small to afford a full-time marketing manager.[6]

As part of an extensive reorganization, Beatrice soon thereafter established a corporate marketing department—for the first time ever in the company's history. The responsibilities of the department were to be essentially advisory, with assigned oversight of all advertising and the principal task of helping to plan and implement marketing and sales endeavors throughout the company.

These and accompanying changes are described in some detail in the box on page 45. In brief, the company's business units are being restructured—along marketing lines—into six operating groups. The heads of these six groups will *collectively* perform the functions traditionally performed by a company president in developing and implementing business strategies and marketing plans and programs.

The stated intention is to transform Beatrice from a loose aggregation of self-activating profit centers into "a unified, directed marketing company." The method chosen to achieve this goal is uncommonly forceful: The six group heads will be activists for better marketing performance in what virtually amounts to a "line" capacity, while "staff" support will be provided by the newly formed corporate marketing development, reporting directly to the chairman.

General Electric Company

General Electric, an even larger corporate giant, is divided into five sectors consisting of consumer products and services, industrial products and components, technical systems and materials, power systems, and an international sector. In turn, these sectors comprise eighteen groups, sixty-seven operating divisions, nine subsidiaries, and thirty-eight strategic business units.

Except for corporate advertising, some corporate business research activities, and a corporate-level contingent of specialized marketing consultants, marketing at GE has traditionally been a responsibility delegated to its groups, divisions and SBU's. Management had held back from establishing a position of corporate chief marketing executive, on the customary grounds of the company's large size, the diversity of its operations, and a general lack of marketing relatedness of these operations.

GE has long been noted as a pathfinder for new approaches to effective management; and from the 1950's on, it was one of the very first firms to champion the marketing concept and to declare its relevance and value for marketers of industrial products. In the 1970's, the company's application of the theory and practice of strategic planning made it a respected pioneer in this field as well.

At GE, as in many other companies, emphasis on planning in the 1970's tended to overlay and somewhat obscure its former emphasis on marketing. This was later to be the target of some critical commentary by the company's chief executive officer. In the course of an address (excerpted on pages 46-47), he declared that while strategic planning had made "huge contributions to resource allocation," it nevertheless "didn't, or couldn't, chart a market course. It didn't navigate. It didn't lead. And, unfortunately, too often it was seen to replace marketing."

A senior planning executive at GE has since added a further perspective to these observations: "I have often heard that strategic planning has usurped the power of marketing. Now we hear about a 'marketing renaissance.' I think this is a two-way street. Marketing was so weak that strategic planning stepped in to fill the void. At first, strategic planning was aimed at looking externally. But by mid-decade it had become too internal."[7] The executive went on to explain that, in describing GE's strategic planning in this way, he meant that it had moved too far away from its initial focus on markets—especially by becoming overly engrossed with quantification in place of strategic qualitative thinking, and also by paying insufficient attention to the competition.

In the aftermath of the earlier "thinking aloud" by the company's chief executive came reestablishment of a corporate marketing presence at General Electric that had been dispensed with many years before. The responsibilities of the vice president for corporate marketing programs and communications—a position created in 1981, largely for

[6] *Fortune*, September 20, 1982, page 129.

[7] William E. Rothschild, staff executive, corporate strategy development and integration, General Electric Company, in an address before the 1983 Strategic Planning Conference of The Conference Board.

purposes of advertising and communication—were subsequently broadened to cover all marketing issues arising at the corporate level.

Of course, GE's new corporate marketing department is, quintessentially, *staff* and not *line*. Encouraged by top management, department personnel are searching for ways to reclothe "old truths" of marketing in present-day styles and colors. Among many corporate marketing objectives and programs, two are especially germane to this study.

One stated aim of the corporate marketing staff is an intention for its members to be "returning missionaries" for marketing—acting to restore faith and to reinvigorate beliefs that, along the way, may have been half-forgotten or never absorbed. A second aim is to adjust the orientation of GE personnel somewhat away from the internal focus on *marketing management,* and more toward an external focus on *the management of markets.* Among other things, this shift is intended to illuminate those particular markets judged to be of greatest importance for GE's future growth.

"Our Goal: A Unified, Directed Marketing Company"

"Our goal is to become a unified, directed marketing company, with real power in the markets we serve, and with the skills needed to enter new markets successfully. Marketing will be the decisive element in the company's future program of internal growth, while acquisitions will play a smaller role.

"Our *future* is in the marketplace, and we're taking the steps needed to transform Beatrice into the total marketing company the future demands....

"We've established a new corporate marketing department. We've also begun a corporatewide identity study to recommend ways to increase the marketing equity of the Beatrice name....We've established a new marketing task force which brings together the company's best marketing people and best marketing ideas.

"These are just a few of the many new things we're doing to carry out our new marketing strategy. But to make the most of the opportunities our clout in the marketplace offers, we recognized that it would be necessary to do more. We recognized that it would be necessary to realign our domestic profit centers; bringing them together into larger business units organized along marketing lines.

"In the past, our system of a larger number of smaller, regional profit centers worked well. But to be competitive and to grow in the future we need broader product lines, with national marketing and advertising, and with national coordinated distribution systems. Our new larger business units will give us these and many other benefits.

"A total of approximately 30 principal marketing areas have been identified, and our domestic profit centers are now being formed into new business units designed to serve those markets. And it s important to know that this realignment is *not* a mere consolidation of numbers. The result will be a much smaller number of free standing and self-supporting businesses operating in the company's principal marketing areas. These new 'businesses of Beatrice' will be larger cohesive business units, with more autonomy and greater responsibility, and with more accountability. Above all, they will be strong, competitive marketing companies. Our new business units will be structured—along marketing lines—into six operating groups, each headed by a senior executive.

"To be sure that we have in place the strongest and most efficient management team possible, today we're announcing a comprehensive new management structure for Beatrice, designed to carry forward our new corporate marketing strategy, and designed to allow for the most effective management of our new business units and groups. I believe this structure addresses the needs of the future and better addresses a changing marketing environment.

"First, we've formed an office of the chairman composed of several senior officers who will assist in the further development of our new marketing strategy, and who will help oversee our operating managers. Second, we've formed an office of the chief operating officer composed of the six senior operating executives who will lead our newly formed operating groups.

"These six people will serve as an extension of the chief executive officer, and they will, collectively, perform the functions traditionally performed by the president, which office is being eliminated. As chairman and chief executive, I will head the office of the chairman. Because corporate strategy will be such an important function as we move forward, the senior vice president and director of corporate strategy will also be a part of the office of the chairman.

"The office of the chief operating officer will be composed of six senior vice presidents who will serve as an extension of the chief executive in overseeing the operations of our new domestic business units and our international operations. More specifically, these six officers, working with the members of the office of the chairman, will help in the development and execution of corporate strategy, and in the approval of the strategies of our new business units. And they will personally assist the managers of the business units in the execution of those business strategies. Bottom line operating responsibility will rest with the new business unit managers, and it will be up to the members of the office of the chief operating officer to assist the chief executive in seeing that that responsibility is met.

"Heading the administrative support group for the office of the chairman and the new operating groups is [an executive] who will now be responsible for all the company's financial and administrative functions. Our corporate marketing and corporate relations departments, two key elements in the implementation of our new strategy, will report directly to me."

Source: Excerpted from an address to shareholders on June 9, 1983, by James L. Dutt, Chairman, Beatrice Foods Corporation.

Where Is Marketing Now That We Really Need It?

"My concern with marketing is not productivity, but purpose; not efficiency, but effectiveness. Marketing's special role, because of its external focus, is for showing us the way, for picking up the reins in American business that, judging by our collective performance, have gotten a bit slack.

"I suggest that the bigger decisions and dislocations in the world outside—the world whose customers we compete for—don't hinge on marketing technique these days, if they ever did. Rather, the world outside is urging us to get on with it: To acquit ourselves well in the marketplace; to get on with our primary purpose of providing quality products and solutions relevant to contemporary tastes and needs; to lead through market innovation; to win.

"Customers want value and are unquestionably willing to pay a premium when it fits their priorities. Employees want vigor—corporate health, a sharp competitive cutting edge. They want to be part of a winning enterprise. The edge has been dulled, and the effects are there: loss of productivity growth; loss of quality; loss of world share; loss of entire markets; and what's worse, loss of jobs.

"There are lots of reasons why we are out of condition. And I can subscribe to all of them as elements of the picture. But that's all they are—piecemeal causes. By themselves, they don't account for the decline of our competitiveness in so many industries.

"Yet I suggest that there is another cause—perhaps even a more comprehensive one—on which I haven't seen much public debate. I believe one could argue that our most significant miss has been in marketing—something that we in America pioneered as a management concept nearly 30 years ago, but of late haven't practiced too well, and something that the imperatives of the 1980's will force us to rediscover.

"I mean marketing in its original, fundamental sense. Creating customers, as opposed to pushing products, making markets with relevant innovation. In using the word, I mean the attitude, not the function; the primacy of marketing as a total company perspective that shapes a company's destiny; and everyone's issue, now more than ever.

"Since my premise is that 'we lost our way,' it is useful to go back to the original signpost. Although selling and marketing of one kind or another have probably always been done, the full significance of marketing as a *management concept* was first recognized in the 1950's. GE, among others, was one of its exponents.

"According to the thinking of the times: 'The major purpose of business is taken from the need to solve some problem in the outer environment—some betterment for the customer—and all subsidiary decisions dealing with allocation of resources within the business should be bent to that objective. Focus on the end-user and base your competitive offering on some superiority of value that matches the needs of a particular group of these users. Try to design an industrial enterprise from the customer backward into the factory, rather than from the production process forward.'

"What it said was less significant than what it meant: It meant: Don't just make your product cheaper, make it better. It meant: Use *all* your company's resources to obsolete old ways of doing things. Its very essence was the new and the different—constant innovation.

"Above all else, it meant: Have a healthy respect for the external world, which means changes in the environment. It grasped the concept of change, and understood risk. It saw the quicksilver of modern markets, the huge risks involved in having large resource commitments dependent on the fickleness of the customer. My shorthand for the meaning of marketing as a management concept would be: *Constant innovation in a world of constant change*. It was something of a new bearing for postwar business.

"That was the theory. What happened in execution? First, in the 1950's: pent-up demand from the war, an economy of scarcity and of emerging appetites and affluence. What we could produce, we could sell. The 1960's brought more growth: a rising tide of demographics and affluence that carried all boats. Enough business for everyone. Still no need to practice marketing, but the ideal role models were there in both decades. The examples of fundamental, as opposed to incremental, innovation—IBM, Xerox, Polaroid—companies which creatively coupled technology with market insight to create entirely new businesses—not just new segments. These were authentic executions of the marketing concept: a real example and direction for business.

"But elsewhere, a lot of the energy of marketing and management in the late 1960's could, with hindsight, be called a diversion. By seeking certainty in numbers, managements tried to take the risk out of marketing. It was a time of marketing technique and short-view tactics, not market innovation and strategy with the long view.

"Then came the 1970's, with all those cost shocks—energy costs, inflation costs, capital costs—hardly conducive to real strategy, real innovation, the long view. We sought 'sure things'—who wouldn't in turbulent times? But sure things go against the grain of the idea of marketing, which, reflecting change and life itself, insists on constant innovation.

"The desire for sure things, and the long-view vacuum left by marketing, brought on strategic planning. At financial planning, at resource allocation—the internalities—strategic planning did well. But not too well at marketing, 'the crucial externality'. Comfortable with quantification, strategic planning mapped the external world—market

size and share—beautifully. It made huge contributions to resource allocation, but strategic planning didn't, or couldn't, chart a market course. It didn't navigate. It didn't lead. And, unfortunately, too often it was seen to replace marketing.

"This numbers thing is a balancing challenge for us in business, especially big business. I like a statement by New York's Senator Patrick Moynihan, who said that "governments seldom do anything about a problem until they have learned to count it." Most of us in business are a bit that way with numbers—the trap being that by the time you've got the security that the numbers afford, the world may have passed you by. You may have missed the market niche.

"There's another trap in numbers that the 1970's demonstrated in spades—an even bigger miss for marketing. It's hard to quantify quality, and the world was moving to quality. Americans graduated from wanting more to wanting better. How could so many U.S. companies have missed this simple truth? Where was marketing to *demand* from the company the higher order of quality, reliability and durability that was being insisted on by the customer? Where was marketing to *insist* on the innovation that allows companies to build quality in, from the start? If marketing in the 1970's was at the helm, where it should be in business, it must have been asleep.

"Of course, I'm generalizing, and there were exceptions. In both decades, a leadership group of U.S. companies responded to the challenge of product and service innovation: from Merrill Lynch to McDonald's, from Federal Express to Disney, from Texas Instruments to Emerson Electric. And the same with selected products: from Miller Lite to Boeing's 747—products in tune with the times.

"But, let's face it, the 1970's really belonged to someone else. The news of the Seventies was the absolutely devastating way in which the Japanese had managed to decode the U.S. market: They undermined us on marketing fundamentals and innovation—while we were polishing technique. Their focus on ends, not means, led them, *forced* them, to do a better job of figuring out what society was valuing, how people were living, what customers really wanted.

"Where was *our* marketing? Twenty-five years after the United States came up with marketing as a comprehensive management concept, for most American companies it was still largely a theory in search of execution, an idea whose time had not yet come. We had mouthed the words, but the Japanese had heard the music.

"For the 1980's, we cannot predict much except the unpredictable. I have characterized innovation as the marriage of technology, whether product or service development, with the market insight—the market niche. Frankly, I'm more confident about technology's capability in this marriage, than I am about marketing's. There is plenty of evidence to support my concern. Study after study shows the number one cause of new product failure is lack of a proper market focus.

"My concern is with the helm, with marketing. First, because it's crucial, second because it's difficult. Marketing is synonymous with risk. Whatever the analysis and market research methodology, there's a lot of 'gut' to marketing. No amount of analysis will confirm an opportunity in advance. It's got to be the toughest perspective within business—far less tangible, far more deferrable than any other perspective a business can have. But the qualities that make it so difficult, are precisely those that make it so important.

"Only the market vision, the outside cause, can rally people inside, can mobilize and animate a company. Only the market vision—with its focus on life, not things; on people, not products—can give meaning to what we do.

"When you think about it, we ought to be pretty good at this. It's in our roots, our tradition. Isn't that what we're supposed to be all about—listening, figuring out, and responding, to the paying fans?"

Source: Abridged excerpts from an address by John F. Welch, Jr., Chairman, General Electric Company, at The Conference Board's 1981 Marketing Conference.

Appendix A:
Relatedness of a Company's Businesses

In the course of the present research, one point of interest was the nature and degree of any "relatedness" of the various businesses of each company under study (see Chapters 1 and 2). An obvious question was how to determine such attributes. No valid external sources for information of this kind exist, and the matter was not one left satisfactorily to subjective judgment. The solution adopted was to ask the participating executives to state their own perceptions of how closely related most business units in each of their companies were—both generally and also in terms of specific factors that might apply.

It was recognized that this method had its potential weaknesses. First, such perception—even for a company insider—could still be subjective. In response to the same questions, another executive within the same company might have differing perceptions. It was conceivable that, in the same companies, higher-ranking members of general management, or executives with functional expertise other than marketing, would view the relatedness issues somewhat differently.

Furthermore, there was an impression, gained from later scrutiny of the research findings, of a tendency for some participating executives to see more commonality among their companies' business units than might have been imagined by reasonably well-positioned outsiders. This point is best illustrated by the situation for "conglomerate" companies—a group that might, by definition, be assumed to belong in the category of firms whose component businesses are virtually unrelated. Of 52 companies previously classified in some standard industry listings as conglomerates, 18 took part in the present survey. But in only eight of these cases did participating executives from these organizations consider the business units of their firms to be "virtually unrelated." Seven others described their companies' units as being "only slightly related," and three actually regarded theirs as "closely related." The "close" relationship in each of the last three cases was seen mainly in terms of similar (or shared) production and technology.

Conversely, a small number of executives from still other firms considered most of the various businesses of their companies to be pretty much unrelated—even though there is reason to suspect that many outside observers would see at least some points of relatedness. (In all such cases, the insider's call was deemed authoritative and allowed to stand.)

The following is an overview of the survey findings on "relatedness" for all 294 companies.

* * * * * *

General Relatedness

As to the degree of relatedness, generally, among a company's operating units:

- Within 181 companies (61 percent), most such units were considered to be *closely related* in important ways;
- Within 88 companies (30 percent), most such units were considered to be *only slightly related* in important ways; and
- Within 25 companies (9 percent), most units were considered to be *virtually unrelated* in important ways.

As shown in Table A-1, an incidental finding was that the closer this general relatedness of company's elements, the *more* likely it was to have a single group, division, subsidiary or other, division, subsidiary or other operating unit that was clearly preeminent (in the sense of being responsible for more than two-thirds of the company's total sales), and also to have a single, separate organizational unit whose sole purpose was to handle all or most of the company's international operations.

On the other hand, a company with closely related units was also somewhat *less* likely than others to have acquired one or more businesses which then continued to enjoy relatively separate status and autonomy. The median number of such acquired units for the entire sample was three. For companies with "virtually unrelated" component businesses, the median instead was six.

Different Kinds of Relatedness

Specific ways in which the operating units of reporting companies were said to be related to one another are shown in Table A-2. As can be seen, a similarity or sharing of technology or production among most such units of a company was more common than relatedness on the basis of markets or marketing factors:

- For nearly half the companies, a close relatedness

Table A-1: Comparison of Selected Characteristics of Companies and the General Relatedness of Their Operating Units

Company Characteristic	All Reporting Companies (N = 294)	Percentage of Reporting Companies Whose Operating Units Are, in Important Ways: Closely Related (N = 181)	Only Slightly Related (N = 88)	Virtually Unrelated (N = 25)
Has one unit that is clearly preeminent	22%	26%	18%	14%
Has acquired one or more businesses left intact	76	68	87	88
Has a separate organizational unit for handling most international operations	39	46	32	16

Note: Table figures are read, for example, as follows: Of 181 companies whose operating units are closely related in important ways, 26 percent have one such unit (group, division, subsidiary or other) that is clearly preeminent—in the sense that it alone is responsible for more than two-thirds of total corporate sales.

Table A-2: Reported Bases for Relatedness of Companies' Operating Units[1]

Potential Relatedness Factor	Percentage of Companies Whose Operating Units, with Respect to Cited Factor, Tend to Be: Closely Related	Only Slightly Related	Virtually Unrelated	Not Applicable or No Answer
Technological know-how or resources	47%	33%	16%	4%
Production know-how or facilities	45	34	19	2
Markets or major user groups	36	37	22	5
Marketing resources or know-how	30	40	25	5
Distribution or trade channels	30	34	31	5
Sales force (or selling) resources or know-how	27	30	38	5
Some other significant area of possible similarity, such as financial linkages, common use of a raw material, and so on[2]	8	2	2	88

[1]Based on information provided by 294 reporting companies.
[2]These last were volunteered factors whose prevalence is probably understated for the entire sample, since all of the others were selected from a list of potential choices.

among most operating units was described in terms of *technology* and of *production know-how or facilities.*

- For more than one-third of the companies, a close relatedness was said to exist among most operating units in terms of *markets or major user groups.*
- For numbers of companies encompassing from one-fourth to one-third of the total, the sharing or similarity of characteristics for most operating units was in terms of their *marketing resources or know-how, distribution or trade channels,* or *sales force (or selling) resources or know-how.*

For purposes of analysis (see Chapter 2 and Appendix C), a single criterion was established for identifying close relatedness of a company's operating units on the basis of *marketing factors* alone. If most such units in a company were reported to be closely related with respect to one or more of the principal marketing-related factors—that is, with respect to *marketing resources or know-how, sales force (or selling), resources or know-how, markets or major user groups, distribution or trade channels*—then it was considered to be a company with businesses that are closely related in terms of marketing. Otherwise, it was not.

In general, the operating units of a company with sales under $200 million were most likely to share some form of marketing relatedness:

Company Sales	Percentage of Companies Whose Units, in Terms of Marketing Factors, Are: Closely Related	Not Closely Related
$3.0 billion and over	38%	62%
$1.0 to 2.9 billion	45	55
$500 to $999 million	52	48
$200 to $499 million	41	59
Under $200 million	60	40

Similarly, the chances of a company's various operating units being closely related in marketing ways were greater if it had relatively few such units—for example, 56 percent in the case of a company with fewer than ten units and 43 percent in the case of a company with ten or more units.

Appendix B
Driving Forces for Company Success

The possibility was explored in this study that differences in companies' marketing organization practices at the corporate level might be explainable in part by relative differences in their special strengths or efficiencies with respect to potential driving force for corporate success.[1]

As shown in Table B-1, *technological strengths, production strengths,* and the *capability for profitable management of diverse businesses* were the factors most often rated highest in importance generally in accounting for such success. Next, in order, were companies' *marketing strengths, sales-force or selling strengths,* and *distribution or channel strengths.*

For companies whose various business units tended not to be related to any significant degree, the ability to manage such diverse operations profitably was by far the single most frequently mentioned basis for success (Table B-2). For those with component businesses that were closely related, technological and production capabilities loomed most often as the primary driving forces and sources of their strength. As might be expected, companies with operating units closely related in *marketing* ways usually reported a greater dependence on marketing, selling and distribution strengths for their success (Table B-3).

[1]See text, page 9. The approach employed was freely adapted from one described by Benjamin B. Tregoe and John W. Zimmerman in *Top Management Strategy: What It Is and How to Make It Work.* New York: Simon & Schuster, 1980.

Table B-1: Relative Importance of Specified Sources of Strength to Companies' Success[1]

Source of Special Company Strength or Efficiency	*Ranking of Importance in Company's Success[2] (percent of respondents so reporting)*			
	Ranked as:			*Weighted*
	First	*Second*	*Third*	*Score[3]*
Technological strengths	23%	15%	16%	40%
Production strengths	12	25	12	33
Capability for profitable management of diverse businesses	17	7	10	25
Marketing strengths	12	12	10	24
Sales force or selling strengths	11	13	11	23
Distribution or channel strengths	6	11	10	17
Size and scale of operations	3	7	16	13
Access to natural resources	7	3	2	10
Some other cited strength or capability	5	3	7	10

[1]Based on information provided by 294 companies.

[2]As indicated in response to the question: "Every company has certain special strengths or efficiencies in one or more key areas that represent the *principal driving forces for its success* (although, naturally, vitality in other areas can also be essential). We are interested in the *relative* contribution of several potential driving forces for the success of your company, considered as a whole. How do you think an informed, disinterested observer would rank the following as sources of special strength or efficiency contributing to your company's ongoing success?" Respondents then gave their assessment in each case by indicating the relative ranks (1, 2 and 3) of the three sources most important for their own companies.

[3]Weighted mean score for each source after assigning three points for each respondent's first ranking, two points for the second ranking, and one point for the third.

Table B-2: Comparison of Sources of Companies' Success and the General Relatedness of Their Operating Units

Source of Special Company Strength or Efficiency[1]	*Percentage of Reporting Companies for Which Most Operating Units Are, in Important Ways:*		
	Closely Related (N = 181)	*Only Slightly Related (N = 88)*	*Virtually Unrelated (N = 25)*
Technological strengths	59%	54%	44%
Production strengths	48	56	48
Capability for profitable management of diverse businesses	23	48	72
Marketing strengths	39	28	36
Sales force or selling strengths	40	27	28
Distribution or channel strengths	31	22	36
Size and scale of operations	29	26	12
Access to natural resources	14	6	—

[1]Ranked first, second or third in importance for the participating company's success. See Table B-1 for explanation.

Note: Table figures are read, for example, as follows: Of 181 companies whose operating units are closely related in important ways, 59 percent cite technological strengths as first, second or third in importance as a source of their corporate success.

Table B-3: Comparison of Sources of Companies' Success and the Degree of Marketing-Relatedness of Their Operating Units

Sources of Special Company Strength or Efficiency[1]	*Base Number of Companies*	*Percentage of Companies Whose Operating Units Are, in Terms of Marketing:*	
		Closely Related[2]	*Not Closely Related*
Sales force or selling strengths	104	61%	39%
Marketing strengths	104	58	42
Distribution or channel strengths	84	57	43
Size and scale of operations	79	52	48
Technological strengths	166	49	51
Production strengths	148	49	51
Access to natural resources	37	43	57
Profitable management of diverse businesses	102	37	63

[1]See footnote to Table B-1.

[2]See text, page 8, and Appendix A.

Note: Percentages read across. Table figures are read, for example, as follows: Of 104 companies for which sales-force or selling strengths are reported to be first, second or third in importance as a source of their corporate success, 61 percent report having most operating units closely related in important marketing ways.

Appendix C
Statistical Analyses

Data obtained in this research investigation were subjected to statistical scrutiny of various kinds. Among the tools employed, discriminant analysis proved to be especially revealing.

One finding was that certain characteristics of a multibusiness manufacturing company are significantly related to the presence or absence of a chief marketing executive at the firm's corporate level. Each of these variables contained some unique information about the dependent variable (i.e., the presence of such an executive in a company) that was not implied by the others. Four such company characteristics are:

- Whether or not the company is a "conglomerate."
- Whether or not the company's divisions or other operating units are closely related in a marketing sense (such as through shared markets or major user groups; distribution or trade channels; marketing and selling resources or know-how).
- Whether or not the company's operating units (subsidiaries, groups or divisions) include one or more businesses that have been acquired and left more or less intact as separate operating entities.
- Whether the company's annual sales volume exceeds $500 million.

The general pattern is simple to describe. In any of the following situations, the likelihood of a company's having

Table C-1: Incremental Contributions of Four Company Variables to Presence of Chief Marketing Executive at Corporate Level

Independent Variable Term	*Changes in Likelihood Ratio: Chi-square*	*Changes in Degrees of Freedom*	*Significance Level*
2	6.847	1.	0.009
3	6.923	1.	0.009
4	4.398	1.	0.036
5	8.761	1.	0.004
2·3	2.038	1.	0.153
2·4	0.133	1.	0.715
3·4	0.039	1.	0.843
2·5	0.023	1.	0.879
3·5	2.338	1.	0.126
4·5	0.034	1.	0.854
2·3·4	0.019	1.	0.892
2·3·5	1.647	1.	0.200
2·4·5	0.043	1.	0.836
3·4·5	0.002	1.	0.961
2·3·4·5	0.028	1.	0.867

Note: The dependent variable (No. 1) is the presence of a corporate-level chief marketing executive in the company. The independent terms include variable No. 2, having an annual sales volume under $500 million; variable No. 3, having an acquired operating unit that remains relatively autonomous; variable No. 4, being a conglomerate company; and variable No. 5, there being a close marketing-relatedness among most of the company's operating units.

a corporate marketing head is increased: if the company is not a conglomerate; if its operating units are closely related in a marketing sense; if these units include no acquired businesses that remain relatively autonomous; or if the volume of corporate sales is less than $500 million.

On the basis of the generalizations cited alone, it was possible in about two-thirds of the times to deduce correctly which manufactuing companies would have chief marketing executives at the corporate level. This is significantly better (p is less than 0.01) than merely guessing (which would have provided a correct answer only one-half of the time).[1]

Beyond these generalizations, log-linear analysis provided more specific information. With any one of the four key variables described, the difference in the likelihood of having a chief marketing executive was found to operate independently of the other variables. (That is, each of the variables was itself significant by the criterion adopted; but in no case was the interaction between or among the variables significant.) Thus, for example, companies with an acquired operating unit that continues to enjoy independent status were less likely to have a corporate marketing head than were those lacking such a unit, irrespective of their sales volumes, their status as conglomerates or nonconglomerates, or the marketing-relatedness of their operating units. The accompanying table summarizes the incremental contributions of the different variables, using a log-linear analysis of contingency tables.

The four cited variables define 16 different kinds of companies, with each group having its own predicted likelihood of there being a chief marketing executive positioned at the corporate level. (For the model's extrapolations of these predicted values, see Table 8 above, page 8.)

It should be noted that certain other characteristics of a company, while providing no further improvement in the predictive ability of the model just described, proved nonetheless also to be significantly related, statistically, to the existence of a chief marketing executive and would, therefore, be informative if those characteristics included in the model were not known. One such consideration was whether or not marketing is a major driving force for the company (also see text, page 9). Another was the primary kind of product market for the company (see text, page 8).

[1]The significance level for this statement is associated with the one-sided z-test for a binomial probability of one-half applied to the number correctly assigned out of 60 randomly chosen companies. The assignment rule was developed using SPSS discriminant analysis with equal prior probabilities on the remaining 254 companies. The z value of 2.32 resulted when 65 percent of the test cases were correctly classified.